BUSINESS WEEK

November 25, 1961

Fifty cents

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Oil's new hard sell: the lower octanes

Page 83

Below: Airline pioneer C. E. Woolman aims to make Delta as successful coast to coast as it has been in the South [Transportation]

In BUSINESS this WEEK

November 25, 1961

BW

General business

The departments

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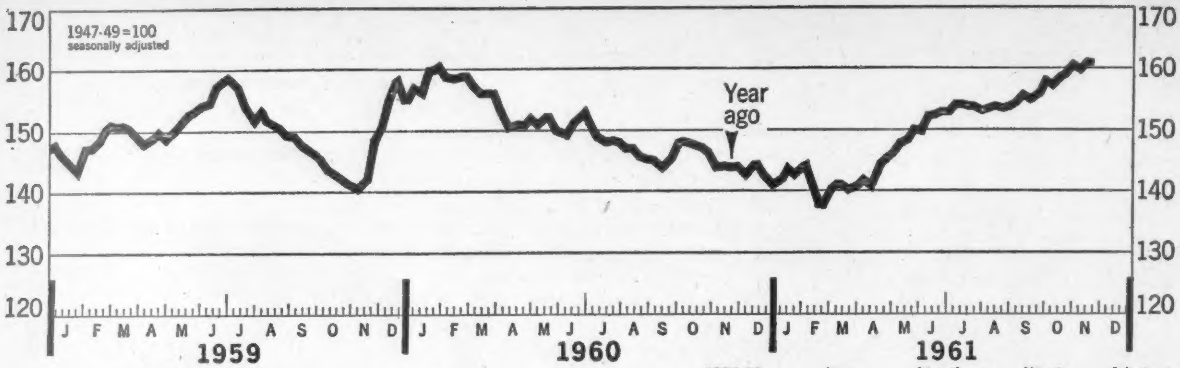
Number 1682

Figures of the week



	1953-55 average	Year ago	Month ago	Week ago	§ Latest Week
BUSINESS WEEK index chart	133.3	144.7	159.7	161.5r	161.5*
Production					
Steel ingot [thous. of tons]	2,032	1,470	2,042	2,046r	2,037
Automobiles	125,553	149,753	143,150	152,286r	156,313
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]	$52,412	$77,170	$77,877	$75,362	$70,473
Electric power [millions of kilowatt-hours]	10,819	14,435	15,162	15,520	15,678
Crude oil and condensate [daily av., thous. of bbl.]	6,536	6,968	7,118	7,178	7,216*
Bituminous coal [daily av., thous. of tons]	1,455	1,366	1,475	1,453r	1,487
Paperboard [tons]	247,488	309,245	355,206	344,729	344,952
Trade					
Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars]	70	57	60	60	57
Carloadings: all others [daily av., thous. of cars]	47	41	47	44	44
Department store sales index [1947-49=100, not seasonally adjusted]	121	163	156	154	169
Business failures [Dun & Bradstreet, number]	198	329	398	336	308
Prices					
Industrial raw materials, daily index [BLS, 1947-49=100]	89.2	88.0	91.3	88.3	88.0
Foodstuffs, daily index [BLS, 1947-49=100]	90.5	75.8	74.3	75.0	75.2
Print cloth [spot and nearby, yd.]	19.8¢	18.0¢	17.8¢	17.8¢	17.8¢
Finished steel, index [BLS, 1947-49=100]	143.9	186.2	185.4	185.4	185.4
Scrap steel composite [Iron Age, ton]	$36.10	$28.33	$37.83	$32.83	$32.83
Copper [electrolytic, delivered price, E&MJ, lb.]	32.394¢	30.000¢	31.000¢	31.000¢	N.A.
Aluminum, primary pig [U. S. del., E&MJ, lb.]	20.6¢	26.0¢	24.0¢	24.0¢	24.0¢
Wheat [No. 2, hard and dark hard winter, Kansas City bu.]	$2.34	$2.00	$2.08	$2.10	$2.12
Cotton, daily price [middling, 1 in., 14 designated markets, lb.]	34.57¢	30.19¢	33.61¢	33.60¢	33.59¢
Wool tops [Boston, lb.]	$1.96	$1.68	$1.81	$1.81	$1.81
Finance					
500 stocks composite, price index [S&P's, 1941-43=10]	31.64	55.76	68.26	71.29	75.36
Medium grade corporate bond yield [Baa issue, Moody's]	3.59%	5.07%	5.13%	5.11%	5.10%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate]	2-2⅛%	3⅜%	3%	2⅞%	3%
Banking Millions of dollars					
Demand deposits adjusted, reporting member banks	††	59,203	63,410	62,395	N.A.
Total loans and investments, reporting member banks	††	108,624	117,777	116,900	N.A.
Commercial, industrial and agricultural loans, reporting member banks	††	32,164	33,209	33,237	N.A.
U. S. gov't guaranteed obligations held, reporting member banks	††	29,480	34,608	33,770	N.A.
Total federal reserve credit outstanding	26,424	29,658	29,737	29,760	29,817
Gold stock	21,879	18,006	17,302	17,276	17,279

Monthly figures of the week

		1953-55 average	Year ago	Month ago	Latest Month
Personal income [seasonally adjusted, in billions]	October	$296.1	$406.4	$421.1	$425.0
Farm income [seasonally adjusted, in billions]	October	$16.0	$16.6	$17.0	$17.5
Average weekly earnings in manufacturing	October	$73.36	$90.12	$92.50	$94.71
Wholesale prices [U.S. Dept. of Labor BLS, 1947-49 = 100]	October	110.4	119.5	118.8	118.7
Domestic air cargo [express & freight, millions of ton miles, A.T.A.]	August	22.5	40.0	39.5	46.4

* Preliminary, week ended November 18, 1961.
†† Not available. Series revised.

r Revised.
§ Date for 'Latest Week' on each series on request.
NA Not available at press time.

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READERS REPORT

Wages here and abroad

Dear Sir:

Thank you for your excellent editorial, "Is the U.S. ready for a new trade policy?" [BW Nov.11'61, p176].

You have clearly pointed out that the suggested new policy is unworkable as long as there is a three to one (or greater) wage differential. It was possible to think about it as long as European production was comparatively small and inefficient, but this condition either no longer exists or will change as time goes on.

I have been associated for many years with an industry which has already been substantially hurt, i.e., marble, stone, and granite. I have seen the ceramic tile industry badly hurt, and we are all familiar with what has happened in the nonferrous metal, watch, camera, textile, and other fields.

It is very easy for someone who is not hurt himself to write off someone else's business as not being of major importance. But who is to say which industry is to be sacrificed, and who can say when a very important one, employing large numbers of people, may not be the next one on the list? . . .

It seems to me that any program such as is now envisaged can only become feasible if it is in some way related to the respective wage rates. We naturally hope that the European wage rates and standards of living will rise. Perhaps if this program is looked at as a long-range one, proceeding step-by-step as the wage differential narrows, progress could be made.

John L. Kretzmer
Summit, N. J.

Through Swiss history

Dear Sir:

Your excellent discussion of "Neutrals who are not neutral" [BW Oct.21'61,p67] contains a common historical misunderstanding. Switzerland has not been independent "for several centuries. . . ."

As a result of the French Revolution, a dummy republic was set up in 1798 which was largely subservient to France. French, Austrian, and Russian troops fought battles on Swiss soil.

From 1803 to his downfall in 1815, Napoleon ruled Switzerland. The Swiss Federal Diet during this

time was entirely subservient to France.

John L. Hoffman
The United States Life Insurance Co.
New York, N. Y.

Plaudits

Dear Sir:

Congratulations on your excellent piece on space science and your forward look for next year [BW Oct.28'61,p28]. I certainly was impressed and congratulate you on your technical competence in the space and science field as well.

Congressman Jim Fulton
27th District
Pittsburgh, Pa.

Dear Sir:

I was very interested in the article entitled "Now it's computers in white" [BW Oct.21'61,p186]. This article, I think, is well written and I feel that we do need at the present time publicity such as this concerning the use of computers in biology and medicine.

Lee B. Lusted, M.D.
Professor of Biomedical Engineering
University of Rochester
Rochester, N. Y.

No veto to say no

Dear Sir:

In your International Outlook [BW Oct.21'61,p156] you quote, "And the apparently inevitable day when the Communists will represent China draws closer."

It is my understanding that Americans have a veto in the U. N., and it is not necessary to admit Red China. Are you trying to condition the minds of American businessmen to accept an unnecessary risk?

John W. Kee
President
Calfran Couch Co.
Wilmington, Calif.

▪ China, as a nation, is a member of the U. N. The question is one of credentials—which delegation, Nationalist or Communist, represents China. Such issues are decided by the General Assembly where each member has one vote —and there is no veto.

Letters should be addressed to Readers Report Editor, Business Week, 330 W. 42nd St., New York 36, N. Y.

Business outlook BW

November 25, 1961

Base prepared for strong business trend

October may not have been marked by too much outright business vigor. Yet there was enough to set new production records. And, even more important, **there was underlying strength that bodes well for the future:**

Personal income looks to have regained a vigorous rate of increase.

Manufacturers' shipments go on rising in value; yet they haven't been able to catch up with incoming orders—or even narrow the gap.

Output regains earlier losses

Physical volume of production, as depicted by the Federal Reserve Board's index, recovered September's losses in almost all sectors.

Over-all, the index edged above 113, with 1957's average equaling 100. That was a tiny decimal better than the August level.

Look at the line for the last four months, and it is just about as advertised —not enough of an advance to shout about and too jagged a line to be altogether comfortable for business generally.

Production of "equipment" contributes the most vigorous performance of any segment in the Federal Reserve index.

This includes business and commercial equipment. It also takes in agricultural. But it is something of a catch-all in that it also takes in numerous products for defense.

Commercial equipment has been advancing all year to register 28% higher than the 1957 benchmark, but industrial is hardly any better than four years ago. Yet the over-all index for equipment has pushed up without interruption from 104 in June to 109 in October.

The main thrust must be defense—increased government spending.

New orders for durable goods climb again

New orders for durable goods—both from government and private industry —pushed to a new recovery high last month.

At $15.9-billion (seasonally adjusted), they were the best in the last five years except for June of 1959—just before the steel strike.

This climaxes a climb that started back in February. Thus the rate of inflowing orders for hardgoods (again allowing for seasonal characteristics) is $3-billion a month better than it was in January.

Value of goods shipped by industries turning out durables naturally has improved in the wake of the rising tide of orders.

Yet, even while shipping some stuff out of completed inventory as a supplement to production, the value of total sales in no month since January has quite equaled bookings and in most months the gap has been big.

The result is an unfilled order backlog topping $44-billion.

Rise in income bolsters hopes of retailers

Resumption of a good rate of rise in personal income speaks well for the probability of strong holiday trade—and good 1962 retail sales.

This probability had been signaled, of course, by the Dept. of Commerce report on October showing the first real increase in retail volume so far this year [BW Nov.18'61,p19].

Now the department adds substance to retailers' hopes. **Personal income in October, after a period of insignificant rises, jumped $4-billion at an annual rate to reach a seasonally adjusted $425-billion.**

Earnings of wage and salary workers contributed strongly to the new upturn in personal income.

This, however, was supported more by longer hours for those with jobs (particularly in autos and affiliated industries) than by any substantial improvement in non-farm employment.

Wage and salary payments, in total, rose over the month before by $2.8-billion at an annual rate. For manufacturing alone, the rate of wage and salary distribution rose by $1.2-billion or about 1½%.

Payroll jobs, at 55¼-million, set new high

Payroll employment in most lines, before now, had regained pre-recession levels—and a few scarcely noted the recession.

Retail and wholesale trade have been well sustained if not spectacular, and employment is half a million higher than early in 1960. The gain over late autumn of 1959 amounts to about 200,000.

And government employment, of course, has had a notably sustained rise (mostly at the state and local level). Here employment now tops 9-million with a year-to-year rise of about 400,000.

Service industries, also showing a steady increase, provide jobs for more than 7.6-million, about 200,000 ahead of a year ago.

Manufacturing employment, to the surprise of no one, is one place where jobs have by no means recovered pre-recession levels. The latest count was 16.6-million, up nearly 800,000 from this year's low but still about 300,000 below the average level of late 1959.

This, however, has not prevented total non-farm payroll employment from attaining an all-time high in October—55¼-million (which noses past the old peak of 55,144,000 set in December, 1959).

A peak, without seasonal adjustment, is all the more remarkable in October; December gets the advantage of Christmas shop workers and other seasonal jobs including a good many postal employees.

And a footnote on the figures for payroll employment:

If these non-farm totals look large to you, they are. A major revision, introduced this month, adds about a million to the total.

This is due to inclusion of people missed heretofore, mainly employees of religious, charitable, and other non-profit institutions and those whose remuneration is entirely from commissions.

Work-week, pay in factories at recovery top

Average hours worked in factories during October rose to the highest level of the recovery—highest since January, 1960, in fact.

Production workers in all manufacturing averaged 40.3 hours last month, according to the Labor Dept. figures. That was up from 39.7 in September when auto labor troubles cut deeply.

As a result, average weekly earnings rose to the best level ever recorded at $94.71; that's up $6 from the low late last year.

Orders for steel now on upbeat

If you listen closely, you can hear some quiet murmurings of a rising level of new orders in the steel industry.

A few of these naturally are of the emergency type, calling for quick delivery of small tonnages to fill gaps in inventory. **But the hopeful trend—if it is a trend—is for regular January deliveries.**

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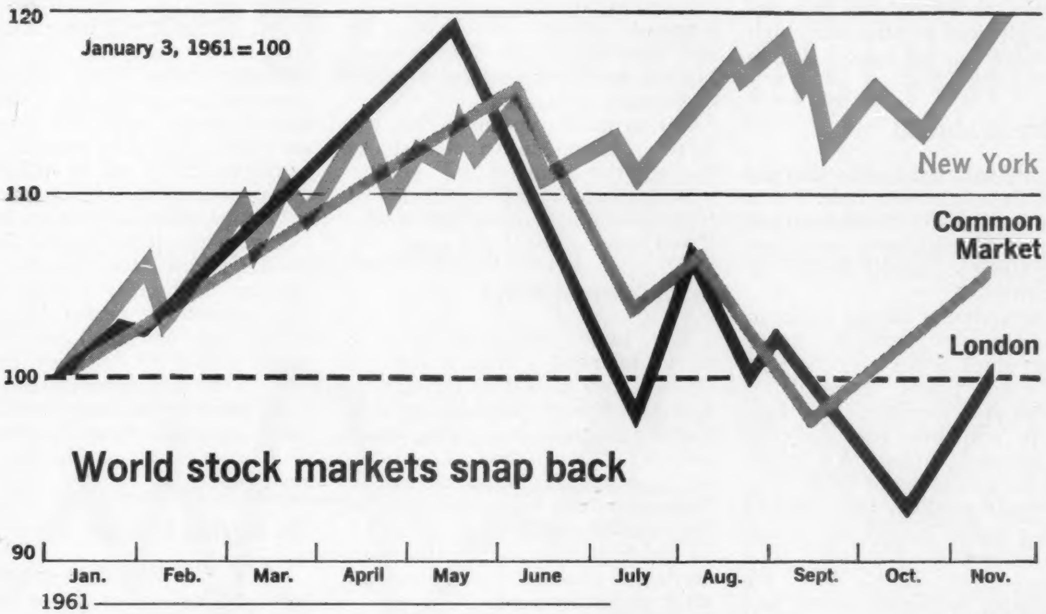


Data: Dow Jones & Co., Financial Times (London), Eurosyndicat Investment Research Bureau ©Business Week

They all point up now

Investors throughout the world show renewed faith in equities. They are buying heavily again after a summer of uncertainty about business and Berlin

Investors all over the free world are recovering from the nervousness and uncertainty that shook their confidence during the summer and fall. The return of confidence has been most marked in Wall Street, where stock averages are close to their all-time highs, but it is evident, too, in London and European markets, which had suffered a series of setbacks (chart).

The rise in U. S. prices stems from a variety of reasons—not all of them connected with the resumption of the advance abroad. But the general move into stocks of the industrialized nations reflects some common influences.

Market factors. For one thing, investors, both institutional and individual, have become used to moving from one market to another. In a sense, investors today recognize no national borders; equities enjoy what amounts to a broad common market.

For another, the professional institutional buyers, who are basically long-term investors, have decided that the cold war is not likely to erupt into a shooting conflict. They were cautious during the summer, when the Berlin crisis built up, but —unlike many individual investors, whose nervousness led them to unload—they came back into the market when prices tumbled. And their show of buying has brought back individual investors.

Then, too, the cult of the equity is still going strong, and in some countries is only now emerging in full flower. Investors, whether because they have adjusted themselves to a risky cold war existence or because they are confident about the prospects of long-term growth, continue to prefer equities to fixed-income obligations. With demand usually greater than the supply of shares, there is a built-in bias toward higher prices.

Stocks preferred. When European markets broke sharply this summer, there was some hope, particularly in England, that the slowing-down of inflationary forces would revive interest in bonds. But in almost every market, investors are buying equities, which offer slim yields but hold out the prospect of fat capital gains, rather than bonds, which nowadays offer high yields but little more.

This marked preference for equi-

ties has reversed the yield relationship of old, when bonds promised safety of capital in return for much less yield than stocks, which were considered much riskier. Now, most of the stocks favored by investors have very low yields and are selling at extremely high price-earnings ratios, while fixed income obligations, even those of most governments, are priced to offer very high yields—more than 6% in both Britain and West Germany.

I. The trend abroad

It's conceivable, of course, that the allure of the equity will fade. But it will take more than a Berlin crisis or a lessening of inflationary pressures to bring about a marked shift in investor sentiment.

This is apparent in the explanation behind the performance of European stock prices over the past year: When prices dropped, it wasn't because investors were hastening to sell but because they merely stopped buying for a while.

From the beginning of 1958, when the European economy got rolling in earnest, equities staged an almost perpendicular rise for more than two years. Then, in late 1960, the U-2 incident, the Congo crisis, and the intensification of the Algerian conflict caused a reaction to set in. But in most cases, the rise in international tensions was simply the excuse. After so steady and pronounced a climb, far outdistancing the rise on Wall Street, prices were due anyway for a reaction.

Bouncing back. Over-all, the declines were mild. And in some countries, renewed demand brought still higher prices.

In London, for example, the market hit a peak last May, when the British government began talking of joining the Common Market. In Paris, despite the Algerian war, a new high was reached in June, largely because of the booming French economy. Prices in Amsterdam also hit record highs, sparked by heavy American buying.

New tumble. This summer, as the Berlin situation began emerging as a testing point in the cold war, stock prices tumbled again. On the German market, prices had been highest, so it was relatively more vulnerable; it took the hardest knock, with a decline of almost 25% from June to September.

Brokers in Frankfurt say foreign investors who had previously been big buyers withdrew from the market, followed by German banks, which were not only disturbed by political tensions but also felt that prices were out of line in view of the slowdown in the German boom.

When the British government imposed a series of credit restrictions and set a ceiling on dividend increases, the London market dropped 22.5% from its peak. Berlin, says one observer, was only a marginal influence. The slide was largely attributed to investors' realization that economic activity was leveling off and that entry into the Common Market would be harmful to many of Britain's industries.

But in no European market was there a stampede to sell stocks. Rather, the demand for equities waned, as shown by the decline of trading volume to about half of what it had been earlier in the year.

II. Wall Street trend

The price movement of U.S. stocks followed a slightly different course. They moved up through the spring, when it became apparent that the recession was giving way to recovery. The Berlin crisis, which led to an increase in government defense spending, served to stimulate the market rather than retard it. In mid-September, when the recovery began to show signs of slowing, stock prices declined.

On Wall Street as in Europe, the drop was characterized by a drying-up of demand, not by any massive selling.

Bulling ahead. The resumption of the rise in Wall Street coincided with the recovery in European stock prices. But the increase in American issues has been much more rapid and has been accompanied by a sharp rise in trading volume. In contrast, European brokers report that trading volume in their markets has increased only moderately and does not yet reflect the kind of bullish fever prevalent earlier in the year.

III. Buying American

Some European institutions, which had been moving into their own markets, are not increasing their purchases of U.S. stocks. They see their own economies slowing down while the U.S. forges ahead, and feel the prospects of profits warrant a shift.

The U.S. economy appears to be in better shape than it has looked for some time. Though U.S. stocks are selling at historically high price-earnings ratios, they appear to offer more potential than many European issues, at least over the next six months to a year. Costs in most European countries are rising, and there is increasing evidence of a slowdown in demand. Thus, profit margins, which are generally higher than in the U.S., might narrow at a time when the prospect is for a rise in profits of American corporations.

Comparing potentials. Over the longer run, however, many investors think foreign stocks hold greater potential. They feel that the Common Market will emerge as a viable entity and that companies established within it will have an advantage over most U.S. and British concerns. Some U.S. institutional investors are continuing to buy European stocks, and their purchases are acknowledged by foreign brokers as playing a big role in sparking the recovery abroad.

For the moment, though, the big swing is to shares traded in New York. In Paris, for example, investors are still fairly cautious about the outlook for profits because of rising wage demands. Some French institutions think that they are much safer in buying American stocks.

In Amsterdam, too, Dutch trusts have resumed their purchases of U.S. stocks after paring down their positions.

IV. Buying foreign

Brokers in Frankfurt say that the new rise in German shares has been mainly sparked by American institutional buying rather than by domestic demand. But they report that sentiment is improving.

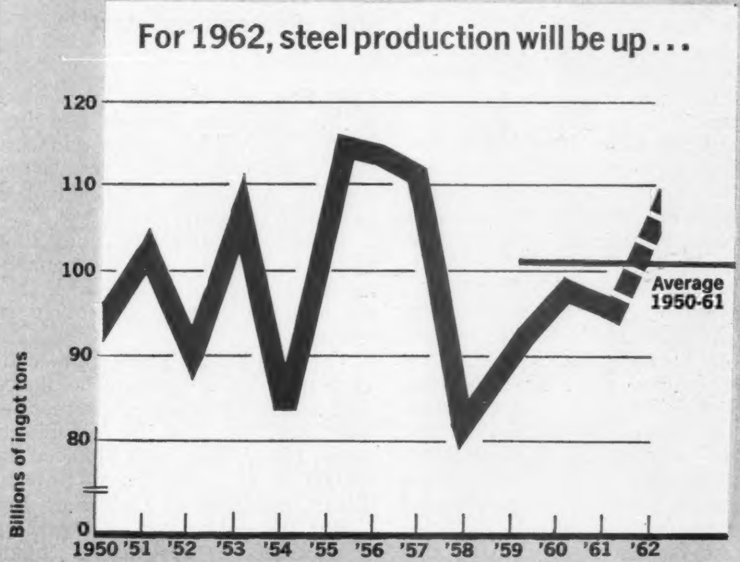
In London, the market average has also rebounded, recovering more than one-third of the losses registered this summer. But individual groups have moved in contrary directions—issues that promise to do well in the Common Market are getting a play, while others are still in the doldrums. And, in contrast to most European institutions, the British are still liquidating their American holdings, preferring to invest instead in Common Market shares.

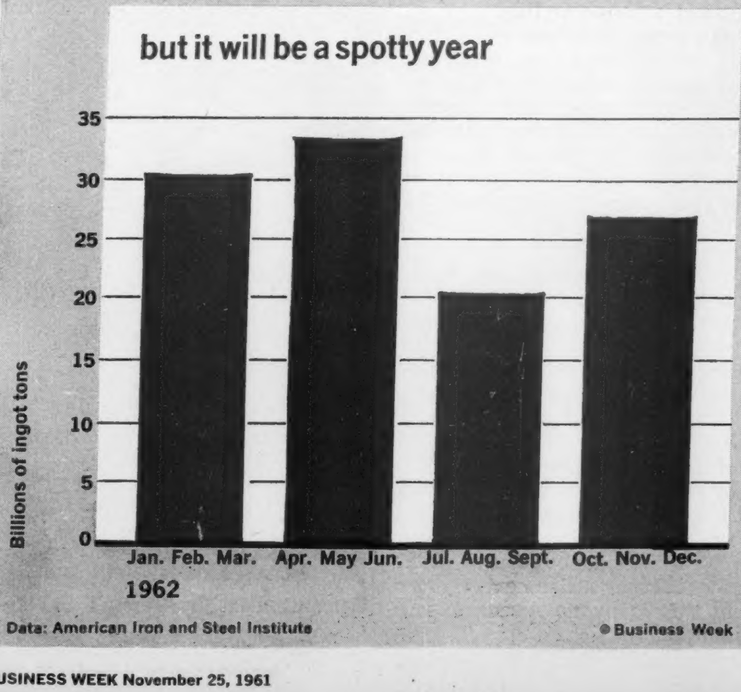
British investors, who have been traditionally yield-conscious, turned to bonds after the credit squeeze began this summer, betting that the government would relax its grip fairly soon. But it was not a major switch. According to one London broker, the interest in bonds was "marginal," with institutions channeling some new cash into them rather than into stocks.

The midsummer tremors also were felt in Japan, where stock prices registered a drop of more than 25% after the domestic economy had displayed some symptoms of growing pains. But Tokyo also is recovering as Japanese investors decide that the long-run prospects for growth remain solid.

The shape of '62

One of a series of analyses of key elements in next year's business situation





Data: American Iron and Steel Institute

© Business Week

For steel, a good first half

But after that, all kinds of questions come up, mostly to do with labor costs

For 20 months, steel producers have been telling themselves that "next month, things are going to get better." Next week—and for six months thereafter—they'll be able to say it confidently.

What they'll be able to say about their business during the last half of 1962 is something else again. Whatever it proves to be, it will be less cheerful.

Steel, in short, faces the same kind of year it has faced so frequently in the last decade (chart). That means:

- A contract negotiation that, not unlikely, will be settled after a strike.
- An increase in its employment costs.
- A rather general base price increase.
- And finally, still another year in which steel will fail to break out of the 32-million-ton range, from high year to low year, within which it has fluctuated for a dozen years.

Imponderables. If you're curious about the impact of all this on steel earnings in 1962, dial 202-628-1414. Only the White House can indicate at this point the dimensions of the midyear labor cost settlement.

Broadly, steel earnings will be rather good in the first half because volume is going to be great. Second-half earnings will be affected directly by the size of steel's pre-strike inventory buildup, by whether or not there's a strike and if so, for how long, by the size of the new wage package and by the amount of it steelmakers can recover next fall when they finally put prices up after 51 months without a general base price boost.

Of two things affecting steel earnings next year, though, you may be sure:

- They will be held down by the production imbalance implicit in

heavy first-half inventory building.

- They will be buoyed up by still another strong pickup in efficiency.

I. Whither aluminum?

For steel's most nimble competitor —aluminum—the prospect is quite different, but not necessarily better. The shape of aluminum for '62 looks something like this:

- Probably it'll be a record production year, just slightly ahead of the 2-million primary tons in 1960.
- In shipments, too, a new record is in prospect—by perhaps 9% over the 2.48-million tons of 1959.
- In its labor-management relations, aluminum stands sheltered behind steel, whose contract expires a month earlier. Employment cost boosts will parallel those in steel—but there won't be a strike.
- Because of all this high-level production, undistorted by strike-hedging on inventories, aluminum earnings next year should move up smartly. The problem, though, is that they'll be moving up from a level so low—by comparison with the industry's lush years—that there still will remain vast room for improvement.

Worst is over. Most heartening of all for aluminum is the prospect that the worst of its years-long price fighting is behind it. That's not to say prices are firm today, for they are not. But after the 2¢ cut last month in the ingot price, plus specific product-price adjustments, a better tone has become evident.

Next year's high-volume production won't require anywhere near all the industry's capacity. But it will ease the pressure on prices that has been exerted for several years by a heavily overbuilt production plant.

II. Steel: any growth left?

Steel production next season won't come close to any records. At 110-million tons, it'll be well above 1961's disappointing 97.5-million tons. But harder to swallow will be the costly distortion in operating levels between the first half and the second.

That distortion will be due, of course, to the first half's strike-hedging inventory accumulation. Its effect will be to induce production of nearly half again as much steel in the first half as in the second.

Hitting profits. At best, that's an earnings depressant—and it must madden steelmakers who have been engineering and financing diligently for years to build low costs into their plant.

This effort has been very successful already, and it may well prove even more so in the next five years. But steel's problem is that something invariably pops up to soften the impact of all this accomplishment on earnings. This time it's inventory-building, and that time it's a strike; the next time it's an inventory drawdown, and the time after that, a recession.

Hard to swallow. Investors got a look at steel's potential when, in the fattest three months of industry history, the Big Eight producers generated net income of \$283.7-million during the first quarter of 1960. A year later, having invested their share of \$1.25-billion, these same producers generated only \$74.3-million.

Now it looks as if they'll earn less than that next summer—if they're working at all—after having done far better on the first two quarters.

Questions arise. Steel's most fascinating single question in 1962 will be how closely it can tie the added employment cost of its new contract to productivity gains from all that new technology and another \$1-billion of investment.

Second only to that will be the attitude its customers take toward inventory after the settlement.

For a dozen years after the war, steel users found it wise to speculate on inventory—against strikes, against price boosts, against shortages. In 1960, however, steel users persuaded themselves that steel capacity—both ingot and product—was so far ahead of demand that only a chump would carry more than a minimum stock of steel. Now, or in another month, they'll start buying against a strike in July.

All this poses questions:

Will steel buyers return, after the 1962 contract is signed, to the barebones inventory policy they adopted 20 months ago? Will they pad inventories slightly? Or will they return to the levels that steelmen only a few years ago called "normal"—say, 16-million to 18-million tons?

There's no rational reason to figure they'll abandon the barebones policy. If they don't, and if the 1962 labor agreement extends for more than 2½ years, you'll get a chance to see how steel can perform when it purrs along consistently at 2.1-million to 2.3-million tons a week.

But that can't happen before 1963. For a year hence, steel buyers will still have some of that first-half inventory accumulation to work off. That's assuming, of course, that there isn't a long strike next summer —and this is by no means a safe assumption.

'Lady Fair' repairs its makeup

Chicago show for women picks up after a poor, disorganized start

Lady Fair, an exposition "dedicated to the American woman and her family," opened last weekend in Chicago's McCormick Place for a nine-day run. By Sunday night, it looked as though the show would flop.

At midweek, however, Lady Fair began to pick up, and its management was hopeful of at least breaking even on its total investment of \$60,000.

The idea behind Lady Fair—concentrating on a feminine audience and its pre-Christmas pocketbook—was well received by exhibitors. Some 140 of them paid \$140,000 for 40,000 sq. ft., according to Edward Linari, president of Lady Fair, Inc.

But the public was confused by ill-coordinated advertising. Some people thought another road show

Demonstrations by Teresa's Studio—Chicago makeup artist and cosmetics

version of My Fair Lady was in town. So opening day drew only 1,200 paid admissions, according to managing director Al Jenks. Linari had hoped for a daily attendance of at least 11,000.

A sleeper. Lady Fair was billed as "an old-fashioned country fair" and as a "sophisticated and modern" exposition, for women only—but also as a family attraction.

As it turned out, Lady Fair was all these things and more.

The exposition, spread over 120,000 sq. ft., pulled exhibitors including contour chair, cosmetics, and jewelry salesmen. Some of the top names in industry and finance were on hand—Motorola, Inc., Singer Sewing Machine Co., International Harvester Co., and Investors Diversified Services, Inc.

There were dazzling fashion shows with merchandise ranging from a $45 fleece-lined car coat to a $5,900 mink "upcoat" whose pelts pointed up instead of down.

The Canadian government Exhibition Commission was there with a striking exhibit. Cherokee Village of Hardy, Ark., touted its area as a retirement and vacation community. There was a toyland for the kids, and a batting cage where youngsters could take their cuts under supervision of Minnie Minoso, Chicago White Sox left fielder.

In fact, there were so many attractions that some people were confused. Next year, says Jenks, some of the gadgeteers will be eliminated, and the public will see a "prestige show."

Fashion shows are staged by fashionable North Michigan Avenue shops—Chicago's "Magnificent Mile"—during Lady Fair's nine-day run in McCormick Place.

distributor—are a magnet for beauty-conscious audience. At a neighboring exhibit, a Kirby Home Sanitation salesman puts a vacuum cleaner through its paces.

Pony League boy gets a lesson from White Sox left fielder Minnie Minoso.

Trail that led to spy charges

Chance discoveries set off inquiries that led Merck & Co., Rohm & Haas, and others to accuse chemist of getting their secret data to sell here and in Europe

Dr. Robert S. Aries, chemist, author, stands indicted by two grand juries, is also sought by four companies.

Even in the bland language of Who's Who, which allots him five inches of its precious space, 42-year-old Dr. Robert S. Aries (picture)—chemical engineer and economist, scholar, author, and teacher—emerges an important and inspired member of science and industry.

Aries, according to Who's Who accounts, was graduated magna cum laude from college in 1937, got an M.S. at Yale, and studied for his doctorate at the Sorbonne. He belongs to a score of professional societies, wrote several books, and taught at a college in New York. Well-known, head of R. S. Aries & Associates, Inc. in Stamford, Conn., he was consulted often by corporations, banks, and the military.

Aries, however, is also the man named in two criminal indictments, and one civil complaint, instigated or initiated by a very angry member of the U. S. drug industry—Merck & Co., Inc. He is the defendant, too, in civil suits brought by Rohm & Haas Co., another drug manufacturer, and by Sprague Electric Co. And he is the man who just a few weeks ago in Geneva was released from prison on bail of $46,500 after being arrested on complaint of Hoffmann-La Roche, a Swiss drug company.

Similar charges. Why such a broadside of legal action aimed at one man?

All companies worry over the loss of secrets through a breach of trust or through industrial espionage. Three of them—Merck, Rohm & Haas, and Sprague Electric—charge Aries, R. S. Aries & Associates, Inc., and others with "surreptitiously" obtaining highly secret data from them, filing patents on the information, and selling options to competitors.

The Swiss drug firm, Hoffmann-La Roche, charges Aries sold it an option on a fraudulently obtained patent for a poultry disease drug.

File-rifling. The Rohm & Haas suit charges that Aries and an associate, Albert P. Sachs, "prevailed upon" a Rohm & Haas chemical engineer named Milton W. Harper to rifle technical files, transmit samples of "unique products," and deliver other valuable technical information to Aries, who, it is claimed, sold the data in the U. S. and Europe.

Rohm & Haas says in its complaint that Harper's operational technique, which went undetected for several years, was this: He worked late hours and weekends, rifling files, then taking data home to copy it. His volume of work—thousands of pages of confidential records—became so great Aries supplied him with a photostat machine.

Rohm & Haas became suspicious only when a technician noticed a Canadian patent application was a duplicate of one being prepared by the company. Soon, identical language used in Rohm & Haas patents and others showed there must have been a major leak.

It took two years, though—until December, 1960—for Rohm & Haas to find the leak and develop enough information to file its first complaint.

Pattern. The Sprague Electric Co. suit follows a pattern of complaint similar to that of Rohm & Haas.

Sprague, a manufacturer of transistors, capacitors, and other electrical and electronic products, charges Aries and a former Sprague employee, Bernard W. Gilmore, with "obtaining improved methods" developed by Sprague for production of tantalum capacitors and other electronic parts, then selling the information to competitors in the U. S., France, Switzerland, and Germany.

I. Story of a drug

Though several companies are in legal pursuit of Aries, one of the clearest narratives of his alleged activities comes from the Merck & Co. charges. The two criminal indictments against Aries—one returned in U. S. District Court in Connecticut last December, the other in New Jersey's Superior Court in Essex County last March—charge him with receiving stolen supplies of a Merck drug named amprolium.

The drug is a compound recently developed by the company for treating coccidiosis, a disease afflicting poultry. Merck's civil suit, which it filed against Aries in U. S. District Court in Stamford, Conn., in June, 1960, asks $7.8-million in damages, and an injunction against the disclosure and sale of amprolium data.

Glimpses. The trouble so far, says Merck, is that Aries has eluded all its efforts to get him into court. The Merck suit has been legally served, but there has been no answer by Aries. Merck has had only two glimpses of Aries' movements this past year. One was his arrest and release on bail in Switzerland a few weeks ago. The other came when he slipped into Paris and filed a countersuit against Merck & Co.

Today, extradition proceedings based on the criminal indictments are under way, "but these things move very slowly," says Merck.

Lucrative market. The international pursuit of Aries by Merck has its roots in the lucrative market for coccidiostats, a group of drugs that put down coccidiosis in poultry. The market is worth about $25-million a year in the U. S. today, and grows at an annual rate of $1-million, more or less. In that market,

Merck is the leading seller. Its volume may be as high as $15-million—though the company will not release any figures.

Merck entered the market in the 1940s and developed some successful coccidiostats. But coccidia, the parasites that attack poultry, develop immunity to drugs. One result was a falloff in sales.

New approach. A major research program was begun, which Merck estimates cost it several million. Out of it came amprolium, an antimetabolite the coccidia mistake for the vitamin B_1 they need. The result —unique in the way drug companies have attacked coccidiosis so far—is the coccidia starve to death.

By May, 1960, Merck was ready to market amprolium under the label Amprol among the manufacturers of poultry feed. But it was just about this time that Merck began to feel a series of shocks, the origin of which it charges to Aries.

II. Tracing a leak

In Paris, where Merck's international division, Merck, Sharp & Dohme, International, was negotiating to buy a chemical company named Synorga, officials of the French company mentioned that they had purchased an option from Aries to produce a coccidiostat. The news was treated lightly.

In the U. S., however, Merck & Co. learned that Aries would disclose in a June, 1960, lecture in Ottawa a way to produce a new, superior coccidiostat he called mepyrium. Merck researchers who had produced amprolium got hold of an abstract of the Aries lecture and compared notes. Unhappily, they deduced that Aries had been on the same trail as they, and that his mepyrium was in the same family as amprolium.

"When we first learned about it," says a Merck spokesman, "it was quite a shock. We knew it meant a loss of income to competition. But we assumed it was bona fide."

Second shock. The company's second shock was not far off. When this news reached representatives of Merck, Sharp & Dohme, International, they recalled that Synorga officials had mentioned buying an option on a coccidiostat from Aries.

The two companies—Merck and Synorga—exchanged formulas for comparison. The exchange showed that mepyrium and amprolium not only were in the same family, but seemed to be identical compounds.

Conclusion. The third shock came when Merck's Dr. Karl Pfister—the researcher who had coordinated work on amprolium—began comparing data supplied by Synorga with data Merck had produced during its research studies. Process details, wording of sentences, paragraphs, phrases, and diagrams were identical to the point that Merck says it could reach only one conclusion. Aries had had access to Merck's secret files.

Unable to believe that someone highly placed had turned over amprolium data to Aries—though the evidence pointed that way—Merck asked Synorga for additional files. These, containing cost estimates, process reports, batch sheets, and production blueprints were compared with Merck records and patents.

The comparison revealed, Merck charges, that Aries must have received amprolium information from someone at Merck and that he had been receiving it as early as October, 1959; it showed, too, that Aries was filing patent applications not only in the U. S., but abroad.

Patent data. One reason Merck could reach such conclusions is tied to the way chemical patents are obtained. Usually one is granted on a process rather than on a compound —such as amprolium. Theoretically, anyone skilled in the art—as Aries is skilled in chemistry—can read a patent and reproduce the compound using the process described.

The steps described in a process, however, usually cover a range of, say, the possible temperatures or air pressures and other variables under which the process will succeed. What a company does not divulge in the patent is the exact temperature or other variable that provides the optimum economic results in terms of cost of product, for example, or quality of product.

The Aries information, Merck charges, had to be "misappropriated from its files."

All this investigating by Merck came before the June 15 lecture of Aries in Ottawa. This is why Merck was able to file suit two weeks later. Aries, though, had left for Europe.

Search at home. At this point, Merck went looking for the employee it believed had been feeding Aries information.

It was a "nasty" investigation, according to a Merck spokesman close to it, since the little information Merck had fit many employees and everyone was aware of the investigation. The investigating team was composed of: Dr. Pfister and Dr. Max Tishler, both from Merck, Sharp & Dohme Research Laboratories; Dr. Frank Cohen, vice-president of the Merck Chemical Div.; Fred Bartenstein, Jr., Merck's general counsel; and J. J. Behan, the man who had written all the amprolium patent applications.

After many weeks, a comparison of handwriting—or printed lettering —on application forms and on four flowsheets Aries had given Synorga provided the break.

Merck itself will not now disclose the name of the employee publicly, preferring to keep him a "sympathetic witness."

Countercharges. In the meantime, though a defendant in both civil and criminal actions in the U. S., Aries has filed suit in France against Synorga, now owned by Merck, charging it with revealing secret data illegally. He is also suing Merck, charging it with buying Synorga just to obtain mepyrium.

III. The larger issues

What riles many a Merck executive, researcher, lawyer—and people in other companies—about the whole subject of industrial espionage is how effective it can be. It can deal mutilating blows to a company's plans in several ways. The industry spy not only gets free or for relatively slight sums the results of research and development that cost dearly in time and money, but he also short-circuits an anticipated market by selling information to competitors before they can develop it themselves. This is Merck's principal fear.

Frustrating. There's a further irony, though. Even when a company has gone to great lengths to gather evidence to counter industrial spying, there is a frustrating inability to establish real damage.

"The trouble is," a Merck spokesman complains, "the law does not recognize the real value of experimental samples of data on scientific discoveries, or of confidential documents in general."

The two criminal indictments, for example, charge Aries only with "receiving stolen goods,"—specific amounts of amprolium. In the New Jersey State Court indictment, the amount is precisely "six jars valued at $7,500."

Only in Merck's civil suit for $7.8-million is there a hint of the value of a destroyed market, or of the value of research. The $7.8-million claim is based on sums Merck says it can prove it lost, though it will have to prove the losses in court.

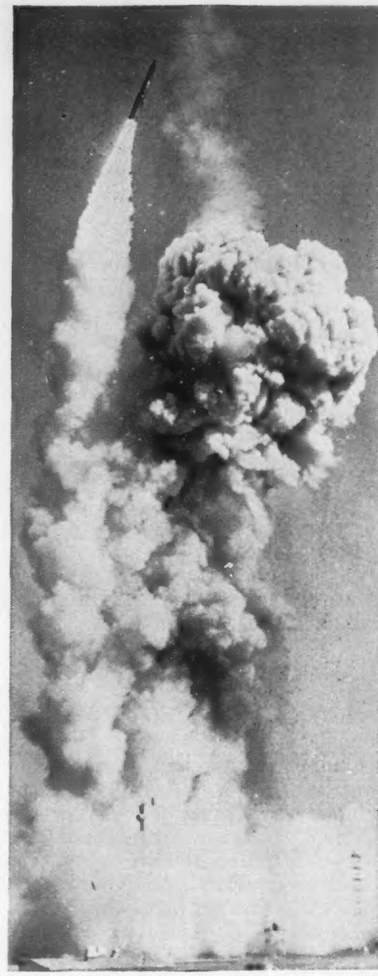
Even extradition, Merck complains, moves slowly because, as one spokesman puts it, "how serious is the charge? Is it really so great? It's not murder, nor a crime so bad. So the wheels grind slowly."

Test successes step up U.S. space-missile pace

Firings of Minuteman and Nike Zeus place U. S. squarely on target in its missile development program

Space men have been scoring gains, too—perfecting capsule recovery techniques and developing navigational satellites

Meanwhile, contracts are being let to boost U.S. long-term space efforts, including a $200-million award to Chrysler Corp.



Exit Minuteman: Solid-fuel missile roars away from underground silo.

No spectaculars, but a display of real progress in rocket and space development work. That's the way government authorities and scientists appraise the latest dozen U. S. missile and space firings.

Of prime military significance was the first successful underground launching, with bull's eye accuracy, of a three-stage Minuteman (picture). This first solid-fueled intercontinental missile is capable of carrying a thermonuclear warhead more than a quarter of the distance around the earth. There have been several earlier, successful above-ground launchings of Minuteman. But launching from a 90-ft. silo—similar to those in which the giant, 58-ft. missile will be embedded in a Montana prairie sometime next summer—had long been considered the key test of Minuteman's design.

Retaliatory power. Minuteman's availability will give the U. S. formidable second-strike—or retaliatory—power with which to confront any potential enemy. It will be able to be stored indefinitely with little maintenance, and will be vulnerable only to a direct hit by enemy fire. Preparation for firing will take only a few minutes.

Brig. Gen. Sam Phillips, director of the Air Force's Minuteman development program, is exultant over the success of the latest test. It means, he says, that development men can step up their test firing schedule, and the Air Force goal of 600 Minutemen in place by 1964 can now probably be met.

Army on target. The Air Force's Minuteman launch followed hard on the heels of four Army missile tests, also with important military implications. Fired in quick succession by Army development teams were a Pershing surface-to-surface tactical field weapon and three Nike Zeus missiles—currently the best U. S. hope as an ICBM interceptor.

One object of the Pershing launch at Cape Canaveral was to evaluate the missile's performance under simulated hot motor conditions such as might be expected in the extreme heat of desert operations. Two Zeus firings at White Sands, N. Mex., sought to test the interceptor's electronic ground control system, as well as whether it could be launched from an underground silo; the third from Point Magu, Calif., was a Pacific-range firing.

All four tests, according to Brig. Gen. John G. Zierdt, commander of the Army Rocket & Guidance Missile Agency, Greystone Arsenal, met objectives successfully. Pershing is nearing the end of its development test program, and Nike Zeus, because of its recent successes has had its test schedule accelerated. One immediate result of this acceleration: another firing of Zeus this week, which, in the words of the Army, was 100% successful. The Army hopes, obviously, to be ready for a nuclear warhead test for Zeus, when and if the U. S. resumes atmospheric bomb testing next spring.

Space launches. The military scored two space successes last week, too. From Vandenberg Air Force Base in California, the Air Force was able to launch another Discoverer (number 35 in its series of satellite firings aimed at perfecting space-capsule recovery). And from Canaveral, the Navy fired a two-in-one piggyback package.

Discoverer XXXV went into orbit successfully, and, the following day ejected its gold-plated payload for what's come to be an almost routine recovery by pick-up crews.

Encouraging, too, were reports from the Cape that, after a seemingly perfect launch, the Navy Transit IV-B was generally responding as planned. The Transit satellite is a forerunner of what, the Navy hopes, will someday be an integrated system of navigational satellites. Riding on top of the Transit this time was a doorknob-shaped satellite called TRAAC (for Transit Research & Altitude Control).

Transit IV-B (launched by the usually reliable Thor-Able-Star rocket) was supposed to reach a 550-mile-high earth orbit and then release its piggyback passenger. Its orbit, however, was lower than planned, and a full test of Transit's sophisticated electronic control system couldn't be made. But the low orbit didn't interfere with the chief objective of

TRAAC—testing a new idea for maintaining the stability of a satellite by "tuning" it in to the earth's gravitational pull.

Failure, too. The U. S. space score was marred last week, however, when a National Aeronautics & Space Administration Ranger satellite failed to perform as planned. Launched at Cape Canaveral, the 675-lb. Ranger II soared into initial orbit on the nose of an Atlas-Agena launch booster. When commanded from the ground, however, the second-stage Agena failed to ignite.

Agena's failure to ignite while in orbit also tripped up the firing of Ranger I, last August [BW Aug.19 '61,p93]. This means the Atlas-Agena system may require a major redevelopment program, delaying NASA's timetable for landing a package on the moon's surface.

A "hard" moon landing of Ranger, launched by an Atlas-Agena, was originally scheduled for January or February, 1962. Now, it will have to be pushed back—until summer, at least.

Twin lumps. NASA also took its lumps on twin attempts to put a capsule filled with living matter on a short hop into space and recover it for study. This was a main plank in its program to develop means to protect man from radiation in space.

In the first try, the four-stage Argo D-8 rocket broke apart moments after launch. In the second, the 85-lb. capsule it carried was put into the Van Allen radiation belt successfully. But, on its return parachute trip to earth, it strayed off course and sank before recovery teams could reach it.

Big contracts. Though disappointed by the flubs, NASA is undismayed about the long-term prospects for the U. S. space program. Looking ahead to the day when multi-million-lb.-thrust Saturn booster rockets will be firing 1,000-lb. payloads out of the earth's atmosphere, NASA late last week selected Chrysler Corp. for the $200-million contract to build 20 first-stage Saturn S-1 boosters.

Also to be awarded soon: a contract to produce Saturn IB—also at Michoud—and a multimillion-dollar contract for Project Apollo—the three-man space capsule.

On the pad at Canaveral for launch soon after Thanksgiving is Mercury-Atlas 5—the chimpanzee-carrying capsule that will pave the way for U. S. manned capital flight sometime in late 1961 or early 1962. The chimp will circle the earth three times in a crucial test of the Mercury capsule's environmental control system.

Rate war on cargo adds to airlines' woes

Succession of slashes carries rates constantly lower, with lines already in red, threatening chances of getting capital needed for cost-cutting equipment

A rate war appears to be breaking out in the air cargo industry.

"Today we cannot possibly tell our customers what their shipping costs are going to be," says the air freight sales manager for a major airline. "We've cut rates four or five times in the last month and a half, and several more reductions are coming in the next few weeks just to meet competition."

"It's been like a seesaw," adds an executive for another line. "One carrier slashes rates; another meets his and goes a little further. I'm afraid the end isn't in sight."

Unwelcome. For the nation's domestic trunk airlines, which suffered a net loss of $16.9-million during the first nine months of 1961, a freight rate war is unwelcome enough by itself. But the longer-term effects are worse.

"Freight business has now reached a volume level where capital expenditures are needed," says United Air Lines' Robert Mangold. "We need automated terminals and more efficient ground facilities. Soon, we're going to need new, all-cargo airplanes."

A rate war, he points out, reduces the yield. And this is what money-lending institutions that can supply capital have learned to grow wary of in airlines: a huge volume of business and no profits. The badly needed capital for cost-cutting equipment may not be forthcoming.

Instability. Most airlines feel that the "continuing trend toward an unreasonably low rate level," in American Airlines' phrase, is not to the shippers' advantage either, even though business, lately, has literally soared.

Shippers, they feel, must be able to forecast costs. Rates that are bouncing down and, inevitably, up again later make a traffic manager's job hard.

Individually, most airline managements would prefer to exploit the cargo market to the full at present rates, then lower rates a small step at a time on commodities where such a move would bring in new business.

But there are too many mavericks in the airline industry, and competition is too intense. The present situation started with the removal of the floor under freight rates this fall. Minimums had been set by the Civil Aeronautics Board shortly after World War II.

Blow by blow. The minimums remained in effect until last October, when Flying Tiger Line, Inc., and American filed for lower tariffs and CAB consented.

With large cargo planes on order capable of carrying 65,000 lb. instead of the 40,000 lb. that is the maximum for converted passenger craft, the Tiger line needed to expand its business drastically. So it filed for a new tariff based on density. In an oversimplification, its formula is that the heavier the freight, the less space it takes up, hence the lower the rate per 100 lb. Reductions from previous rates averaged 27%.

American countered with reduced rates on a different formula. It said that nearly every commodity should go at a single rate, but, essentially, the larger the shipment and the longer the distance, the lower the rate per mile should be. United filed a defensive tariff against the Tiger, only it added a twist; it established "weight breaks." This means that the price per 100 lb. is lower for shipments of 2,000 lb. than 1,000, lower still for 3,000 lb., and so on. The Tiger's first break didn't occur till 5,000 lb.

American decided that United was actually undercutting the Tiger, so it filed a defensive tariff against United. Then Trans World Airlines and Continental Air Lines filed their defensive tariffs. And so it has gone.

Said one airline officer this week, "I wish the CAB would blow a whistle on all this and hold hearings to determine where we are going."

President's Committee on Youth Employment is headed by Secy. Goldberg and Dr. Conant (second and third from right)

Coping with 'social dynamite'

Administration's drive to provide jobs and training for unemployed youths is intended to relieve the tension that has been building up in Northern cities

What the new attack on the problem of youth unemployment launched last week by Pres. Kennedy comes down to is an all-out effort to ease the plight of jobless, out-of-school Negro and Puerto Rican boys in Northern city slums.

The jobless rate among 16-to-22-year-olds is double the national average, and the unemployment figure for non-white boys and girls is twice the national average for their age group. Nearly a million young people are estimated to be fruitlessly seeking full-time work today, and the figure is expected to reach 1.5-million by 1965.

As the general problem of youth unemployment increases over the next decade, the impact will be greatest in the already tense slums of New York, Chicago, Philadelphia, and many other cities.

Dr. James B. Conant, former president of Harvard University, finds "social dynamite" in the situation. Labor Secy. Arthur J. Goldberg sees it "potentially the most dangerous social situation in America today."

New committee. Last week at a White House meeting, Pres. Kennedy enlisted Secy. Goldberg as chairman and Dr. Conant as vice-chairman of a President's Committee on Youth Employment. The President named 20 others—including three other Cabinet members, and representatives of labor, industry, and local government. The committee will meet in mid-December and begin its task of building support for a three-part legislative program Pres. Kennedy wants. In view of Dr. Conant's insistence that 300,000 new jobs are needed immediately for youth, the committee is also expected to recommend a bigger program than the Administration has backed previously.

Kennedy already has asked for an experimental three-year program to cost a little less than $100-million a year, and provide about 50,000 jobs annually. Labor Dept. officials now are thinking in terms of a $175-million program, providing up to 100,000 jobs.

The possibilities of success for such an expanded program depend on such intangibles as the mood of Congress next year, and the importance placed on economy in the Administration. But supporters of the program are counting on firm Administration backing for an enlarged effort.

The short-term remedies now being pursued include the program to create jobs for youth, for which Congressional approval is needed, and efforts already under way in the Labor Dept. to encourage industry to hire young people, and to provide young job seekers with guidance in finding work.

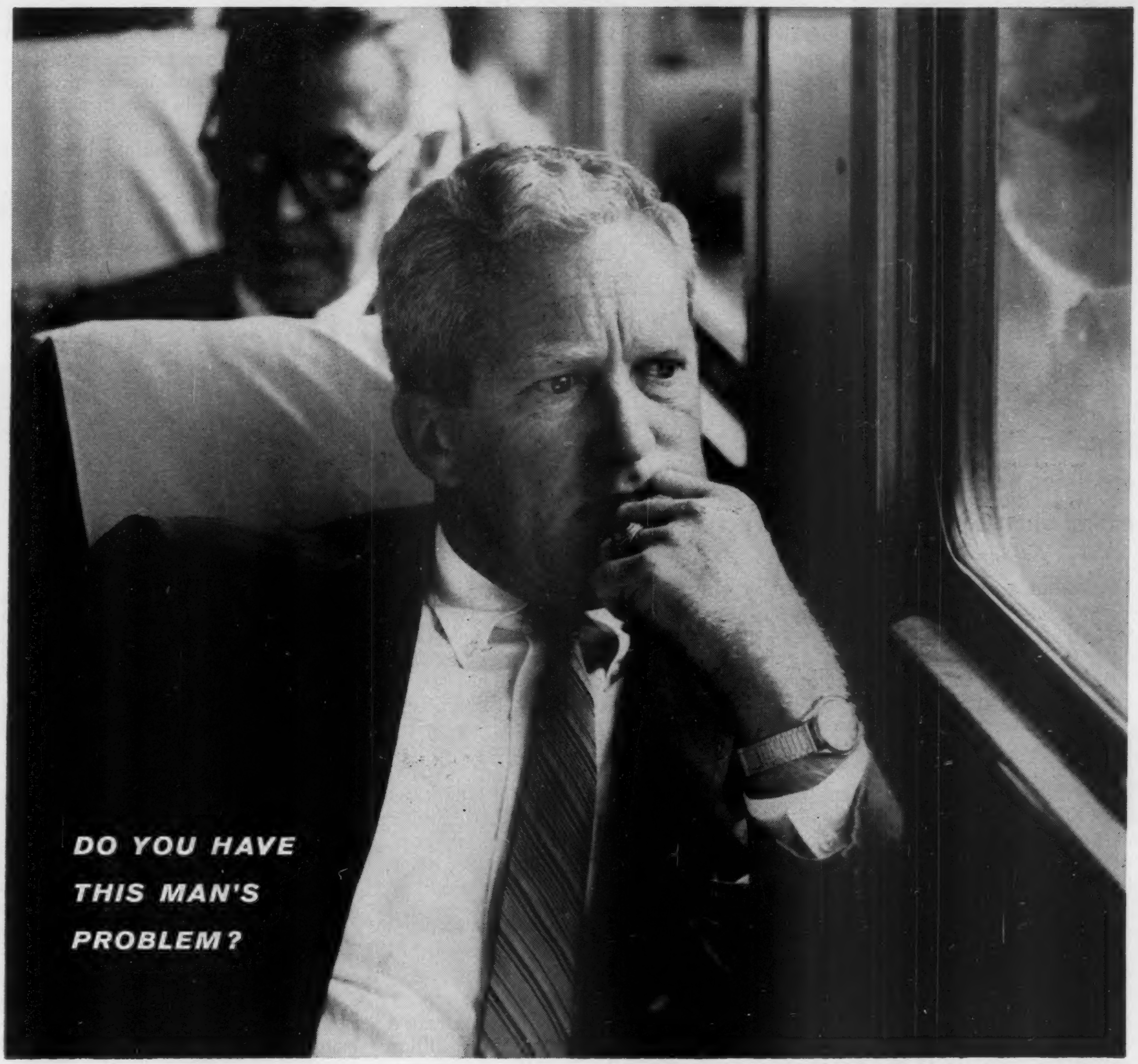
Vocational training. The first part of the Administration program before Congress provides on-the-job training aimed chiefly at boys and girls who drop out of school early. Provision for this training is included in a Senate-passed legislation providing retraining for unemployed workers of all ages. This bill has top priority in the Labor Dept., and will get a strong push when Congress returns in January.

A much-discussed facet of this on-the-job training was the idea of paying federal subsidies of up to $20 a week to help pay the wages of youth in approved training programs. But Labor Dept. experts say the plan holds too many pitfalls, and now are emphasizing federally supported vocational training for dropouts.

This basic vocational training would benefit those incapable or unprepared to undertake standard apprentice programs.

Creation of jobs. The keys to the Administration program to create new jobs are a program of subsidized work with state and local governments, and a Youth Conservation Corps, modeled on the old CCC camp idea. These two proposals are in the youth employment opportunities bill, now pending before Congress.

As first proposed by Pres. Kennedy, state and local projects would



"We need more branch offices—but they just won't earn their keep in many areas"

Solution: open "telephone branches." They get business for you at low cost!

If you're passing up an out-of-town market because you can't afford to move into it full-scale, you may be passing up important business.

"Telephone branches" can get it for you at low cost. Customers in the distant market simply call a local number to reach your headquarters. You get additional business—profitable business—without heavy sales expense.

Many business problems are really communications problems. And they can be solved by effective use of Bell System services such as Long Distance . . . Private Line Telephone . . . Teletypewriter . . . Data Transmission . . . Wide Area Telephone Service. Talk with one of our communication consultants about them. Just call your Bell Telephone Business Office.

BELL TELEPHONE SYSTEM

Solving business problems with communications

be financed up to $20 a week for each youth employed, and $25-million was asked for the first year. Now, this program is likely to be increased to $75-million, providing 75,000 new jobs.

Similarly, the Youth Conservation Corps proposal may be stepped up from $25-million for the first year to $100-million to provide camps for 25,000 boys. Trainees would perform national park development work and also would be trained for later urban employment.

City program. Secy. Goldberg has ordered his department's Bureau of Employment Security to increase its efforts to get unemployed city youth into available jobs. Since last May, 4,000 field members have been added by the Labor Dept. They are concentrated in major cities, and will work chiefly on finding available jobs, urging companies to hire and train young people now in anticipation of shortages among 25-to-45-year-old workers, guiding boys and girls in finding jobs, and most important, urging labor and industry to end racial barriers.

Nonskeds fight for their lives

Supplemental air carriers, involved in several recent crashes, are being probed by CAB and other agencies at a time when Congress is about to act on their authority to fly

The nation's nonscheduled airlines, a tiny group of pilots and planes that will fly fishermen to Maine or soldiers to West Berlin, are engaged in a bitter struggle for survival.

Two major disasters have raised public ire and serious doubts about the ability of the nonskeds to finance —or follow—adequate safety precautions. One plane, a President Airlines DC-6, killed all 83 aboard when it crashed after take-off from Shannon Airport, Ireland, in early September. Another, flown by Imperial Airlines, crashed Nov. 9, killing 74 Army recruits.

The crashes have set off three Congressional probes; investigations by the Civil Aeronautics Board and the Federal Aviation Agency also are under way. Both agencies have called top officials of the nonskeds to a meeting on Dec. 15.

New policy. Most important of all, the accidents have caused a reshaping of Defense Dept. policy that could put a big dent in nonsked revenues. Last week, Defense Secy. Robert S. McNamara announced that from now on military personnel will ride scheduled domestic flights rather than chartered flights if they hold individual tickets. Up to now, the military branches could ship personnel by chartered flights even if they held tickets.

Moreover, domestic nonskeds will now have to meet the standards for financial stability and safety that the military requires for overseas flights of personnel. As only six lines now meet these standards, the others will have to apply for certification from the Military Air Transport Service.

The reexamination of the nonskeds comes at the worst possible time for them. Unless Congress enacts a new law, the industry's authority to fly will expire Mar. 24. Bills to extend this authority are before committees of both houses, but the final form may be influenced by the current investigations. And the industry could find itself under more stringent regulations.

More business. The fact is that the nonskeds were just getting a bigger slice of the passenger business. There are about 29 nonskeds now in business. They fly an estimated 164 aircraft, and their operations last year accounted for 5.2% of revenue passenger miles, compared to 4.1% in 1959. This year the industry says it was doing even better.

The nonskeds last year generated revenues of $83-million on 2.2-billion passenger miles, mostly on international military flights. But profits for most lines were nil.

Most nonskeds fly on shoestring budgets, trying to turn a profit by filling gaps left between the scheduled flights of the regular lines. Some lines are profitable, but the majority are not. They find it difficult to earn money on ticketed passengers, since they are restricted to flying only 10 flights a month where each passenger holds a ticket. And profits from chartered flights are shaved thin because of cut-throat competition on bids.

Over-all, the industry has made profits in only five of the last 10 years—and has lost money each year since 1957. Last year, the industry's total loss ran to $6-million.

Safety record. The failure to generate profits works an extra hardship. Critics contend that when profits are low, the nonskeds cut corners on safety—by delaying maintenance, forcing crews to exceed maximum flying hours, operating in dangerous weather, and failing to check fuel properly.

These charges are difficult to pin down. There were 200 violations logged against nonskeds last year, compared with 600 for regular carriers, which fly 10 times as many planes. But since CAB took over regulation of the nonskeds in 1955, their safety record has been good. In 1960, however, the nonskeds' record took a turn for the worse—their fatality rate was 4.25 per 100-million passenger miles, against .75 for scheduled airlines.

Marginal existence. Both the President and Imperial Airlines illustrate the marginal existence of most nonsked operations.

President had only three planes when one crashed in Ireland. As a result, it had to strand nearly 200 passengers in Europe. The airline was subsequently sold to Glen H. Taylor, a West Coast real estate developer, who has added eight Boeing Stratocruisers and talks of further expansion. A creditor is threatening to repossess a company DC-6, on which $388,000 is still owed.

Imperial also has had a far from perfect record in safety or finance. It reported losses of $34,000 on revenue of $311,000 during the first quarter. Under its former name, Regina Airlines, it was fined $1,000 in 1959 for carrying 30 Marines in an unsafe C-46. Last year, three of the company's pilots had their licenses suspended for safety violations. And the airline was involved in two other crashes, one of which killed 19 soldiers.

In business

BW

CAB calls emergency hearing on Hughes aid to Northeast Airlines

The Civil Aeronautics Board will hold an emergency meeting next Wednesday to decide whether to give Hughes Tool Co. interim permission to resume emergency financial aid to Northeast Airlines [BW Nov.18 '61,p28].

Northeast has warned that it faces bankruptcy unless it gets help to tide it over till Florida vacation traffic picks up; **in response to this "critical financial plight," CAB has adopted speedup procedures.**

Wednesday's hearing will consider only the propriety of temporary aid from Hughes Tool to Northeast, and will assume that the control exists or will if the aid is granted. The broader question of whether acquisition of the airline by Hughes Tool is in the public interest will be taken up later.

Allied Chemical plans to merge with Union Texas Natural Gas Corp.

Allied Chemical Corp. of New York and Union Texas Natural Gas Corp. of Houston this week agreed to merge. If directors and stockholders approve the deal, Allied will be assured of an ample supply of the petrochemical building blocks it uses.

Union Texas stockholders would receive ⅞ of a share of Allied for each share they hold. The deal is estimated to involve about $350-million.

A week ago, Allied and Texas Union announced they would jointly build a $40-million to $60-million chemical complex on the Mississippi, south of Baton Rouge. Union Texas owns large reserves of natural gas, natural gas liquids, and crude oil. It operates 14 gas extraction plants in the Southwest.

Examiner urges airlines be required to charge for ticket credit services

Airline passengers who fly on credit will have to pay for the privilege, if the Civil Aeronautics Board upholds Examiner Ralph L. Wiser.

Wiser ruled that the present fly-now-pay-later plans are illegal **because they extend credit without charge to some passengers and assess the cost against all traffic.** He recommended that the airlines be required to levy a fee on credit plan users that is reasonably related to the cost and value of the service. He proposed:

- An initial billing fee of 2% of the ticket price and a 1% rebilling fee on the widely used, industry-sponsored Universal Air Travel Plan. In turn, UATP would have to pay 5% interest on the $425 deposit required of users of the plan.
- Full tariff rates charged to non-carrier credit companies, which would have to be billed by the airlines within 10 days, with payment made within a week.
- A 1% initial charge against users of so-called out-for-collection plans, if payment is not received within 10 days, plus a 1% rebilling charge thereafter.
- A 1% initial charge for machine-supplied tickets if payment is not received within five days, and 1% rebilling charge thereafter.

Boston hackies fight free bus shuttle offered by garage under Common

Last week, Boston formally inaugurated the 1,450-car parking garage under the quasi-sacred Common that it had been working toward for 30 years [BW Mar.12'60, p116].

This week, the Massachusetts Parking Authority was preparing to go into court to fight the first attempt to snarl its operations in red tape.

At issue was MPA's plan to provide free bus service from the garage to downtown shopping points. The complainant was the Independent Taxi Drivers Assn., which, grieved at the thought of lost fares, charged that **the inclusion of the free shuttle service in the parking fee puts MPA into the transportation business —without a license.** The authority has been granted a 60-day permit to run the shuttle; it is this permit that the hackmen are fighting.

Business briefs

Two top attorneys—and sparkplugs—for the House antitrust subcommittee have left for other jobs. Herbert N. Maletz next week becomes a commissioner on the U. S. Court of Claims; Julian H. Singman has already joined the Maritime Commission. The most important bill now before the subcommittee would divorce General Motors Acceptance Corp. from its parent.

The Export-Import Bank, and Japan's Kansai Electric Power Co. this week signed a $15.1-million loan agreement covering major components of a 325,000-kw. turbine generating unit being supplied by Westinghouse Electric International Co.

McCormick Place, Chicago's $35-million exposition and convention hall [BW Nov.26'60,p32], showed a profit of $136,626 from its opening on Nov. 19, 1960, up to last June 30.

Cunard Steam-Ship Co., Ltd., suffered another major setback this week when Britain's Aviation Minister, Peter Thorneycroft, reversed the decision of the British Air Transport Licensing Board. The board has granted Cunard's subsidiary, Cunard Eagle Airways, the right to fly across the North Atlantic for 15 years. Earlier, the steamship company had been obliged to drop plans for an $80-million replacement for the Queen Mary.

Washington outlook BW

November 25, 1961

No off-season lull in politics for Kennedy

Politics takes on a surprising vigor and sharpness in what is normally an off-season lull between elections.

It's part of the acutely political flavor of life in Washington under Pres. Kennedy.

The President is back in town enthused over a swing through the West —an unabashedly partisan trip with no pretense that it was to view military installations or new dams, a device Presidents have used in the past.

Kennedy spoke at money-raising party functions presumably on behalf of senators who will be seeking reelection next year. But these particular senators didn't need his help.

Kennedy was really speaking for himself as a candidate for the White House in 1964. He would like to carry some of the Western states that voted almost as a bloc for Richard Nixon last year.

Speakership poses problem for Kennedy

The death of Speaker Sam Rayburn raises problems for Kennedy of an unusually delicate sort.

Rayburn was a symbol of party loyalty, but a man above partisanship in the eyes of the small group of men in both parties and in both houses of Congress who make the legislative branch work.

Majority Leader John McCormack of Massachusetts, entitled by tradition to succeed to the Speakership, does not have the standing with fellow Democrats, with the Republican opposition, with senators, or with the White House that Rayburn had.

This week, for the first time, came rumblings of possible opposition to McCormack.

Rep. Albert Rains of Alabama is considering making the race for Speaker when Congress meets in January. He is a moderate on social welfare issues but a stand-pat Southerner on civil rights, in contrast to McCormack's long pro-civil rights record.

Religion would play a role—though possibly a hidden one—if a fight develops.

McCormack is a Catholic. With a Catholic in the White House and with Mike Mansfield, a Catholic, as Senate Majority Leader, it would be impossible to keep religion out of an anti-McCormack move. Rains is a Baptist.

McCormack argues that the seniority tradition entitles him to the Speakership, and he'll probably make this stick. In fact, a real effort to derail him may not be made until January, 1963, with the organization of a newly elected Congress.

Even if there's no fight this year, Kennedy's program will suffer as McCormack strives to fill the void left by the death of Rayburn.

Rockefeller hurt, but still in GOP picture

Political professionals are not counting Gov. Nelson Rockefeller of New York out of the national Republican picture because of his marital troubles.

They're taking the long view—waiting to see whether the separation of the Rockefellers actually ends in divorce, what the grounds will be if a divorce is sought, and what the public reaction will be.

But Rockefeller is hurt as a potential Presidential candidate even with the best of breaks. The announcement of the separation came at a time

Washington outlook Continued

when he seemed to be shaping up as front-runner for the nomination. Such talk is now dead.

New power and prestige for some Kennedy aides

Some of the men around Kennedy will be dealing with Congress in a few weeks from positions of new strength.

Others will be starting their second year in office badly hurt, fighting to restore damaged reputations.

The strong men of the Cabinet remain Robert S. McNamara in Defense, Douglas Dillon in Treasury, and Arthur J. Goldberg in Labor.

McNamara will run into storms over his failure to spend appropriated money for manned bombers and the Dyna-Soar space glider. But he's solid with Kennedy.

Dillon still has to make good on a new tax bill.

Goldberg's influence will be felt in the White House rather than in Congress.

Two stars are on the rise just below Cabinet rank.

Robert V. Roosa, Treasury Under Secretary, is widely praised for his role in the delicate arts of international finance and debt management. He's being mentioned as a successor to William McC. Martin, Jr., chairman of the Federal Reserve Board, should Martin decide to leave the board in 1963 when his term as chairman is up.

George W. Ball, Under Secretary of State for Economic Affairs, gains rapidly in influence as chief strategist on trade policy.

But some have slipped and face more troubles

Postmaster General J. Edward Day is badly hurt.

Up to a few weeks ago, Day was a favorite orator at Democratic Party dinners. Now he's being treated as a political bad boy. His mistake was losing his temper in a case involving a Negro postman and the National Assn. for the Advancement of Colored People.

Chester Bowles, Under Secretary of State, began as the great hope of the liberals in the State Dept. **He has been reduced to little more than issuing news releases while on foreign travels.**

Agriculture Secy. Orville L. Freeman's farm program has roused Kennedy's ire due to its cost. **Freeman and his economic adviser, Willard W. Cochrane, will be special targets of the GOP, too.**

Stanley Surrey, former Harvard economist, came to Washington to draw up a fresh approach to tax reform. His first idea—to stimulate plant and equipment spending by means of a tax credit—confused lawmakers and aroused the antagonism of businessmen. **The Administration may have to seek a fresh start, with Surrey kept out of the picture.**

Rep. Wilbur Mills has Kennedy's team worried

Rep. Wilbur Mills of Arkansas, chairman of the House Ways & Means Committee, has Kennedy's legislative signal-callers worried. **Mills is the man the White House must count on to push the three Administration "must" programs through the House next year—medical aid for the aged, a new tax bill, and a new trade bill.**

But Mills has gone into a deep silence. He has been in Arkansas, preparing to run for the House next year in one of the newly drawn Congressional districts of that state. **He may face serious opposition for the first time in years.** This may make Mills—cautious by nature—all the more unwilling to make White House causes his own next year.

CONNOISSEUR'S COFFEE

Canteen vends it nine ways, with almost fantastic quality control

What does it take to keep every cup of Canteen® coffee consistently and deliciously fresh, clear, full-bodied? Why do so many coffee experts praise its unexcelled cup quality?

Part of the answer is in the advanced automation of the Canteen vending machine. Every cup gets a metered density measure of freshly ground beans. The temperature of the water, its washing action and extraction time are automatically unvarying. But Canteen coffee quality actually starts with the coffee tree itself: *coffea Arabica.*

Only vintage crops good enough

Processors of Canteen coffees take their pick of choice varieties from 43 different countries—coffees with exotic names such as Medellin, Coatepec, Bourbon Santos, Armenia, Manizales. Seven or more different kinds are used in the Canteen blend.

As with fine vintage wines, geography and crop year are important. Trees must grow in the right districts of the right countries and at the right altitudes. Changing climatic conditions, moisture content, length of storage, even tree age affect quality and are guides to selection.

The coffee berries are picked with care: one by one. Only perfect berries are kept—after de-pulping and drying, culls are discarded.

Educated taste buds maintain blend

While constant in taste, a blend is not a constant mixture of the same varieties. Seasonal variations in crops and other uncontrollable factors require the coffee taster to change varieties from time to time.

This expert grinds small sample roasts from which he brews a single cup. So sensitive is his taste that one noisily slurped spoonful tells him everything he needs to know to maintain blend identity.

Electronic controls guard roast

Coffee has a complex chemical structure. Its aroma and flavor are determined by caffeols, or volatile essential oils. These caffeols are activated in roasting, where precision controls again safeguard quality.

Electronic devices maintain roasting temperature within a tolerance of 3°F. At the exact instant when roasting stops, the hot beans are quenched for controlled cooling.

Even the particles get counted!

Grinding is also subject to close control, with rolls adjusted to minute tolerances. Exact temperatures are maintained during grinding.

For consistent quality, smaller and larger particles are accurately proportioned. This is verified by placing the grind on a stack of graduated screens with a pan at the bottom. After vibrating, the "pan fines" and grains sorted by each screen must weigh out according to Canteen specifications.

Quality that never varies

The Canteen coffee vendor measures identical amounts of an identical blend. Brewing under identical water, temperature and time conditions gives Canteen coffee its unvarying quality.

Part of a country-wide, automated, 24-hour food and beverage service, Canteen coffee is supplied to suit regional tastes by local operations geared to your needs. Canteen is listed in the Yellow Pages. *Remember, only from Canteen can you get Canteen service.*

Terms the Experts Use

Cup Quality—Consistency of flavor, body, richness and aroma.

Washing Action—Constant uniformity of water flow in and through the bed of coffee.

Coffea Arabica—Cultivated coffees from the original Arabia root stock.

Caffeols—Volatile oils which give coffee its flavor and aroma.

Quench—Rapid cooling by water spray to prevent residual bean heat from continuing the roasting process.

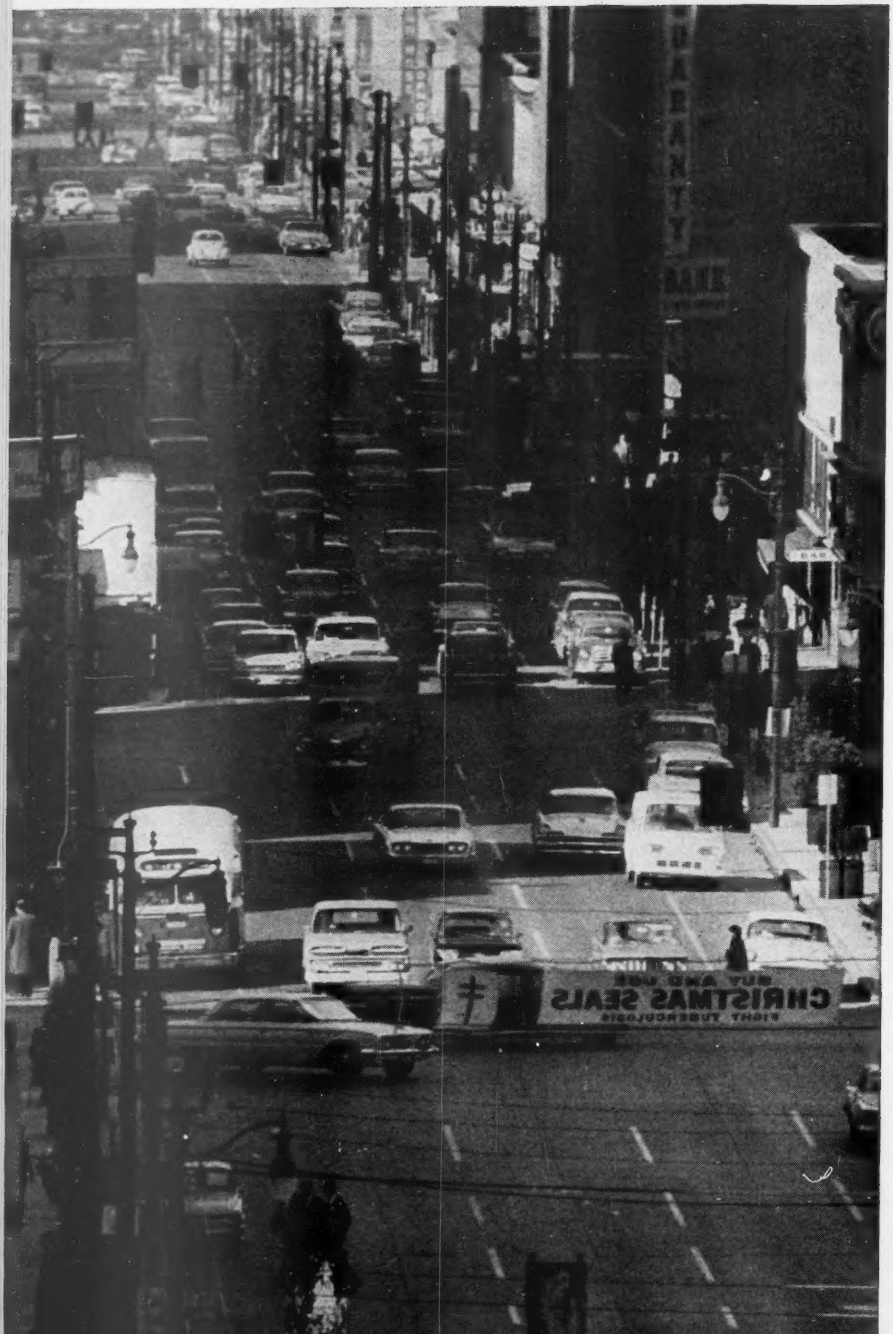
Pan Fines—Minute particles of the bean which perform an important flavoring and filtering function.

Density—The amount of ground coffee of a specific weight needed to fill a measured volume.

This is Automatic Canteen: Canteen Service—hot and cold foods and beverages, candy, cigarettes; Rowe Manufacturing Co.—automatic vending machines; Nationwide Food Service, Inc.—in-plant catering; Automatic Music, Inc.—commercial music systems; ABT Manufacturing Corp.—bill and coin changers; Commercial Discount Corporation and Hubshman Factors Corporation—financing. Canteen services available abroad from Canteen International, S.A.

AUTOMATIC CANTEEN

AUTOMATIC CANTEEN COMPANY OF AMERICA • MERCHANDISE MART PLAZA • CHICAGO 54, ILLINOIS



Skyscrapers and stores in downtown Denver are erasing all signs of the saloons and hitching posts that used to mark the hangouts of ranchers and miners.

Colorado's boom problem

New industry is boosting economy at expense of the ranchers and miners

Theoretically, everybody in Colorado should be happy. The statistics all show that the state's economy is booming. Population is up sharply; buildings are shooting up like mushrooms after a rain; and new plants are swarming in.

The sour note is that the miners, farmers, and ranchers—traditionally the kingpins of Colorado—no longer set the tone of the state. Silver production has been in the doldrums for two decades and coal for at least as long. And even discounting the usual dour statements of farmers, the cost-price gap has become so serious that this year, when total farm income in the state may hit an all-time high of $700-million, nets in many cases will be below last year's.

Small consolation. To Coloradoans who carve their living from the land, the state's lopsided boom is small consolation.

Take Mrs. Herman Strauch, wife of a sugar beet grower in Platteville, for example. Ordinarily, she buys a new electric appliance every fall. She won't this year, because farming costs have gone up so that even with a good crop, there's just not enough money to go around.

Or take the farm machinery dealer in Julesburg, way up on the Nebraska line, who finds that wheat farmers there are repairing their old equipment instead of buying new at this time.

The boom also seems far away to oldsters in Trinidad and Leadville—towns that at best have just been surviving since the coal and silver mines shut down.

Figures talk. Nonetheless, the over-all figures do show a boom. The 1960 U. S. census revealed a population gain for the decade of 31%, making the state the ninth-

fastest growing in the country, and the fourth-fastest growing of those with a population over 1-million in 1950. Or take the Business Week Measure of Personal Income (page 48): For the first nine months of this year, only Hawaii has outpaced Colorado in rate of growth over 1960. And in 1960, Colorado ranked ninth among the states in increase in personal income over the previous year.

Building contracts in the state are up 12% for the first nine months, compared with a 3% increase in the nation. Bank debits and life insurance sales are up more than 10% over last year, electric power consumption more than 5%.

Even in February, the low point of the recession, Colorado unemployment—about 41,000—represented only a bit over 4% of the work force.

Uneven pattern. It's when you begin to break down these data that you see how uneven the growth pattern is. Just look at the census figures:

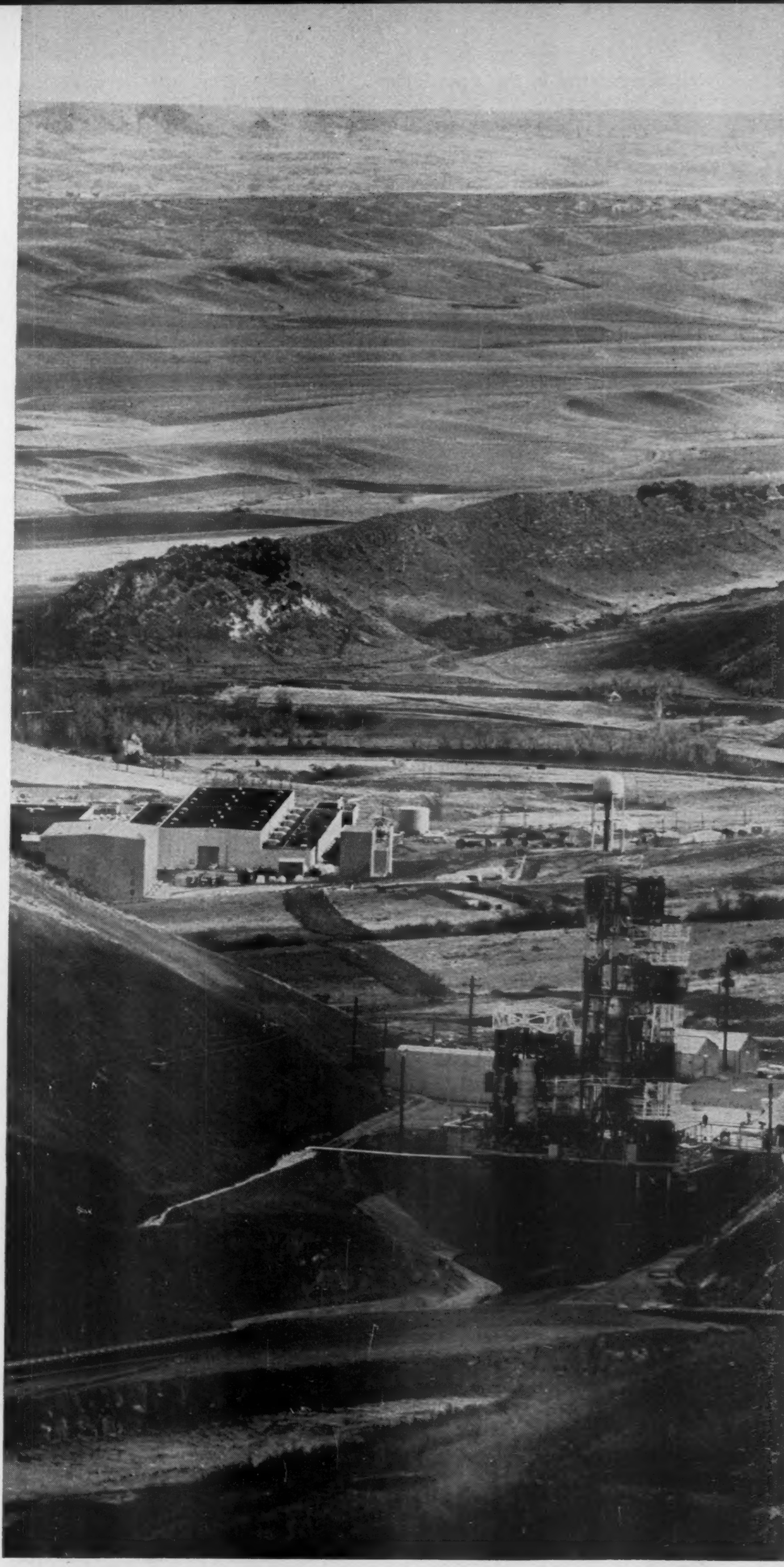
While the state was racking up a net gain of 414,000 persons, 36 of Colorado's 63 counties actually lost population between 1950 and 1960. More than 90% of the gain shown by all gaining counties was in a narrow nine-county band between the wheat fields and the mountains, stretching south from Ft. Collins to the steel town of Pueblo, and containing 70% of the state's population.

The State Dept. of Employment reported last year that 31 new companies are opening plants in the state: 19 of them chose sites within the nine-county band, and only one settling elsewhere plans to hire as many as 50 workers.

The University of Colorado reports bank debits on demand deposit accounts for 45 cities in the state: For the first nine months of this year, 21 cities showed gains of more than 5%, and 10 of these were among the 16 cities in the nine-county swath.

According to F. W. Dodge's Denver Daily Journal, building permits were issued last September for 871 houses—98% of them in the same nine counties.

Bitter pill. The problems faced by Mrs. Strauch and the others aren't new ones—and they certainly are not forgotten ones. For example, a federal area development grant was just made to the state's two coal mining counties. And, with reapportionment of representatives lagging far behind population shifts [BW Oct.21'61,p146], the farmers and the miners and the ranchers are



Martin Marietta's Titan missile plant occupies 22 buildings, covers 7,000 acres, employs 14,000. The company is biggest corporate employer in Colorado.

well represented in the state legislature.

The bitter pill—for them—is that they no longer are of prime importance.

Colorado revels in its past, and there is a strong ranch flavor throughout, even in Denver, where the mayor affects a wide-brimmed Stetson. Sheriffs still round up posses, and there's even talk of "shooting it out" on the pass with an outlaw.

Denver society troops in to the old mining town of Central City every June to launch the summer social season. The National Western Stock Show every January unquestionably is the year's biggest event for most Coloradoans.

Key to future. But this is window dressing. It is the skyscrapers popping up on virtually every corner of downtown Denver, the low-temperature research labs at Boulder, and the myriad of small new electronic plants that today hold the key to what the Centennial State is and where it is going.

Manufacturing now—and only for the past four or five years—adds more to the state's economy than agriculture. And the big boom in manufacturing has been in new scientific areas, and Colorado's traditional function as a distribution point has grown right along with western population.

New elements. The older areas of the state's wealth are still significant, of course—wheat, cattle, sugar beets, and tourists. At the height of the summer, Colorado's tourist attractions log 1-million visitors a month.

The extractive industries—little gold and silver now—handle enough molybdenum, uranium, and especially oil to run up a total of $376-million a year. These multiple bases of wealth can absorb rumbles in the economy and help hold the state level. But it is the new elements in the Colorado economy that deserve the attention, not only for the good they have brought, but for the seeds of trouble they contain.

Newcomers. The textbook factors of industrial location have not been the guiding ones for most of the new Colorado industry. The new plants have not been located in the state because of the availability of raw materials or closeness of markets. Probably the biggest lure has been that combination of sunlight, low humidity, and mountains that is dubbed "climate."

Minneapolis-Honeywell Regulator Co., Hewlett-Packard Co., Beech Aircraft Corp., Lionel Corp., Dow Chemical Co., and Thompson Ramo Wooldridge, Inc., all have laboratories and manufacturing facilities in the state.

Of overriding importance, Martin Marietta Corp. five years ago picked Denver as the place to manufacture Titan missiles, and has since totted up a payroll of 14,000 workers—making it the biggest corporate employer in the state. It spends more than $20-million a year on supplies from other Colorado companies. (The Bureau of Labor Statistics has broken out an "ordnance and accessories" classification for Colorado only since 1959. In those two years, that category—almost entirely Martin Marietta—accounted for half of the total increase in manufacturing employment.)

One-product plant. Martin Marietta's facility currently is a one-product, one-customer plant. Since that one product is in quickly changing defense business, it presents a big question mark in any analysis of Colorado's future.

As things look now, the company by 1964 probably will have made all the Titan Is and Titan IIs that the Air Force needs. Beyond that, all the company can do is hope that the work now going on in advance planning labs turns out to be the source of more business. Hottest prospects: National Aeronautics & Space Administration awards for some advanced version of the Titan to serve as an adaptable launch vehicle for future space ventures, and for the rocket to carry an atomic power plant in its experimental flights.

Diversified base. State House economists and Denver bankers insist that while any Martin Marietta shutdown would be a blow to the state, Colorado still has a diversified base. After Martin Marietta, the biggest corporate employers are Colorado Fuel & Iron Corp., Gates Rubber Co., Schwayder Bros. (makers of Samsonite luggage and card tables), and such diverse companies as sugar refiners, manufacturers of mining equipment, and Ideal Cement Co.

The federal government has more agencies headquartered in Colorado than in any one spot outside the District of Columbia: U. S. civilian employment in the state has hovered around 35,000 for the past 10 years.

More stability is provided by the growing number of regional sales offices and insurance and financial companies that are filling the offices in those Denver skyscrapers. So, while Colorado's halcyon days of hardly feeling national economic dips may be nearing a close, the state has its eggs well distributed.

Income continues to rise

In 34 states, it topped the national average of 2.7% above the year-ago month

There was a lot to cheer about in the personal income figures for September (page 53), despite a few lingering trouble spots. For the nation as a whole, incomes posted a 2.7% gain over last year; 34 states and the District of Columbia exceeded the national average, according to Business Week's Measure of Personal Income.

Month-to-month improvement was also evident in the same areas, as record employment and banner harvests jacked up earnings around the country.

Hardgoods industries continued to register gains, with call-backs and new hirings in most industrial states. Even in Michigan, where labor disputes curbed auto assemblies and trimmed payrolls in non-electrical machinery, employment in durable goods rose 22,000 over August. However, it remained 84,000 behind last year. This gap was largely responsible for the state's year-to-year lag of 15.8% in personal income.

Biggest loser in the year-to-year comparison was Alaska, where incomes dropped more than 20% from September, 1960, because hours and earnings were sharply cut in food processing, construction, and lumber.

Cumulative income for the year-to-date widened its lead again in September, moving 2.1% ahead of the first nine months of 1960. Now only seven states remained behind last year. Four of these—Michigan, Indiana, Wisconsin, and Ohio—can trace their troubles to the auto industry. Off to a slow start in the first quarter, auto assemblies in these states were also hit hard by fall strikes. Monthly figures for 1960 personal income by states have been revised in line with Commerce Dept. estimates.


Hadden Electronics Company
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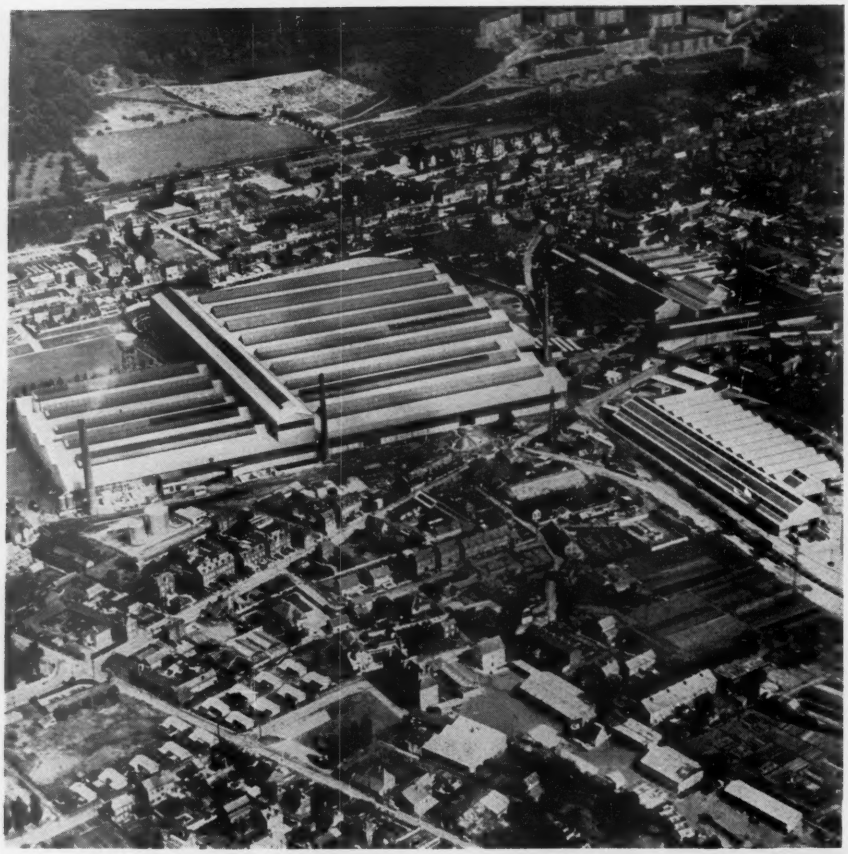


French-U.S know-how merged in modern

The French oil industry, relatively new, has expanded rapidly in the last decade. Major stimulant has been the oil-rich Sahara and more new oil Companies, drilling contractors and suppliers to the industry have sprung up in France since 1955 than anywhere else in the world.

Big U. S. interests are involved, with cross-licensing and distribution agreements with French counter-parts now a routine part of the tempo.

French industry generally has geared itself to provide products and services needed by the booming oil and gas business and steel companies, especially pipe and tube manufacturers, are working at capacity to fill in their contracts.

In response to the need for increased seamless pipe and tube productions a huge new mill—modeled on advanced U. S. design—went on stream this spring at Déville-les-Rouen, the flourishing inland port on the Seine roughly midway between Paris and LeHavre. Rouen, a transport hub with ready access to the sea through Le Havre, ships its products via a modern road and rail network to the prosperous North and East as well as to industry-ringed Paris.

The vast modern mill is part of the SIDELOR group of Companies, which is in turn an important division of Pont-A-Mousson, a major world-wide holding Company in the iron and coal mining, sewage pipe systems, steel and steel pipe industries. In steel production, Pont-A-Mousson has an annual capacity of 5 million tons.

Pont-A-Mousson offers a full range of pipe line products and pipe-laying services since, in addition to its subsidiary plant at DEVILLE, it also directs the operations of

seamless steel tube mill

the Belleville plant in Eastern France. This latter plant is equipped for the production of large diameter welded steel pipe.

In addition, Pont-A-Mousson directs the Differdange plant in Luxembourg, manufacturing small and average diameter steel pipe; it also controls a number of pipe-line installation Companies with a capital equipment investment of 10 million dollars. Another subsidiary, the Ludwigshafen plant in Germany manufactures oil-pumps.

International Sales of the new plant's production will be handled by the DAVUM EXPORT Company, another Pont-A-Mousson subsidiary, which already sells the firm's varied products throughout the world.

The DEVILLE-les-ROUEN factory is equipped with a plug-rolling-mill built and installed by Aetna-Standard, a U. S. firm. Almost entirely automated, it transforms a molten billet into seamless pipe cut to size in less than thirty seconds. The glowing-red billet is lifted automatically from the huge U. S. designed, French-built rotary hearth furnace and immediately undergoes six operations, all push-button controlled: centering, piercing, rolling, reeling, sizing and reducing. In thirty seconds the raw 5500° F. chunk of red-hot steel becomes a smooth, seamless tube.

The mill is a replica of similar modern units now operating in the United States. Monthly output is presently 10,000 tons, although capacity can go beyond 15,000 tons monthly with steady runs of standard size pipe. Here, the mill's flexibility in meeting any size and specification standards—U. S. and European—earns a variety of short-run orders. It can supply any size between $\frac{1}{3}$" and $10\frac{3}{4}$", in every grade of steel including the highest A.P.I. standard (P. 110).

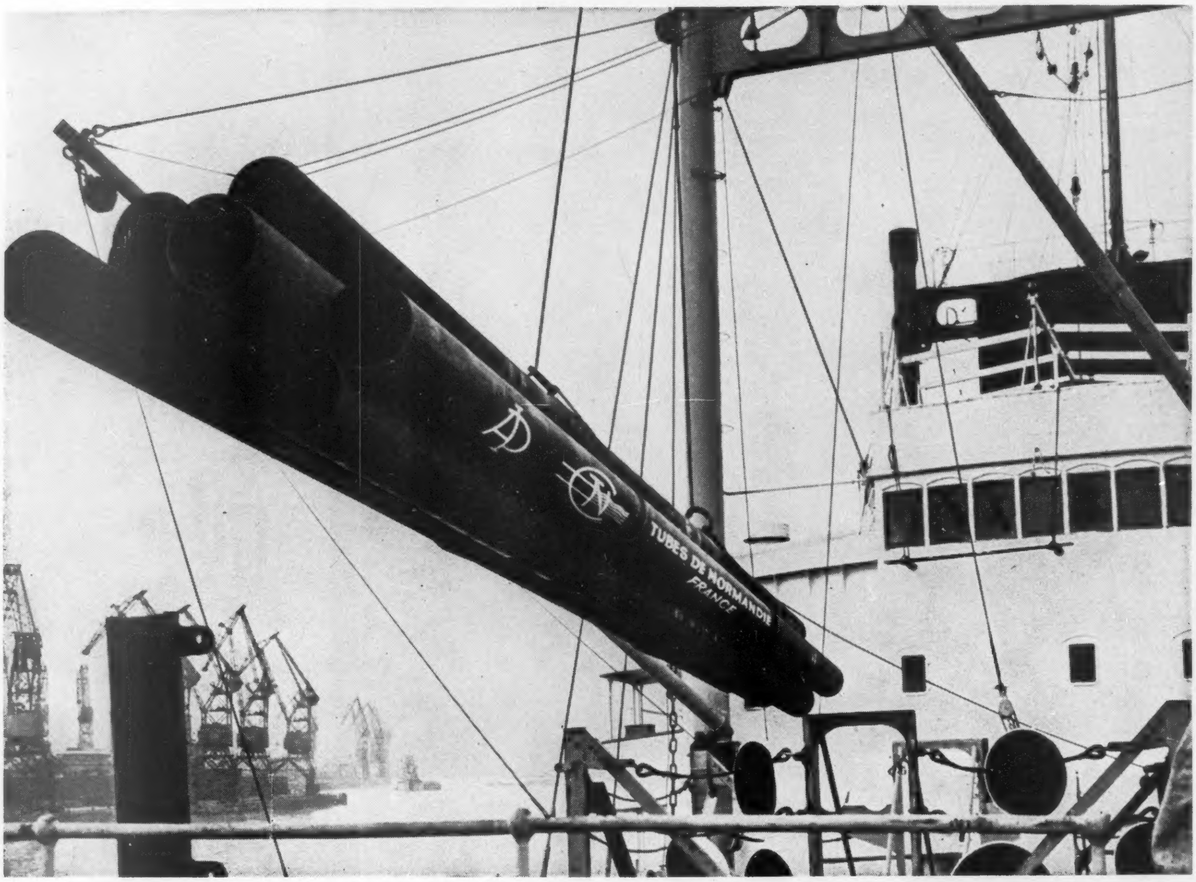
Other mill departments cut, finish and straighten the pipe and operations requiring special heat-treatment, quenching or tempering utilize advanced U. S. designed facilities.

Finished pipes and tubes undergo hydrostatic tests up to pressures of 13,000 pounds per square inch (P.S.I.).

The Déville factory, in design, production, flow and quality control, holds closely to the American pattern. U. S. technical assistance was employed in all planning and construction stages. Seven and a half million dollars of a total investment of $30 million was spent for American equipment either imported or constructed in France under license.

Mr. F. W. BREMMER, American Consulting-Engineer at the Déville plant and former National Supply production Expert says: "This mill can compete from the quality standpoint with any other existing mill in the States or in Europe. Its production meets the highest standards of American and European specifications, and has earned the American Petroleum Institute Label of quality. Quality control is further guaranteed by Moody Engineering, which supervises production. In addition, an agreement with National Supply Company is in effect for technical assistance and exchange of information and experience.

The Enterprise is an excellent example of sound French-American cooperation. Engineer BREMMER, though speaking little French, finds no difficulty in making himself understood to the mill workers. They understand and like him, proving to him that steelmen *do* speak the same language.



Measure of personal income

Millions of dollars
[not adjusted for seasonal variations]

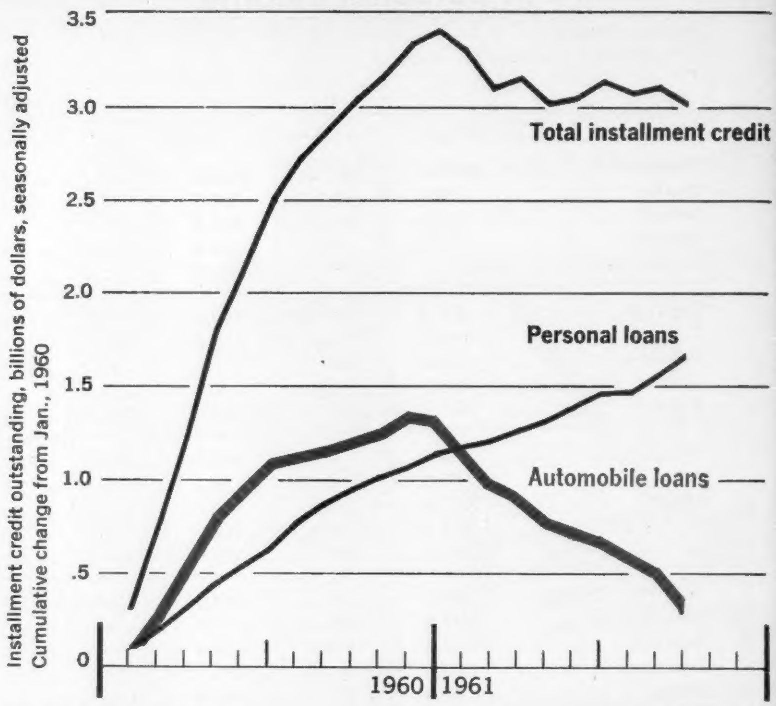
State	1953-55 average	September 1960	August 1961	September 1961	% change versus year ago	Nine Months 1960	Nine Months 1961	% change versus year ago
Alabama	$286.4	$410.8	$426.8	$432.7	+ 5.3%	$3,573.7	$3,635.1	+ 1.7%
Alaska	41.9	54.6	57.5	43.6	−20.1	473.3	470.7	− 0.5
Arizona	126.9	216.4	216.8	226.6	+ 4.7	1,949.0	2,047.4	+ 5.0
Arkansas	153.5	205.3	194.4	210.3	+ 2.4	1,707.7	1,738.6	+ 1.8
California	2,341.7	3,707.8	3,862.4	3,870.1	+ 4.4	32,287.3	33,895.3	+ 5.0
Colorado	217.2	347.8	369.0	383.2	+10.2	3,032.0	3,258.5	+ 7.5
Connecticut	440.7	601.0	638.6	642.3	+ 6.9	5,460.1	5,665.9	+ 3.8
Delaware	78.6	109.3	117.6	120.8	+10.5	1,017.3	1,066.7	+ 4.9
District of Columbia	158.2	196.2	201.4	202.2	+ 3.1	1,713.9	1,799.1	+ 5.0
Florida	456.8	791.8	840.6	851.6	+ 7.6	7,443.3	7,873.5	+ 5.8
Georgia	383.2	554.9	566.6	567.3	+ 2.2	4,766.5	4,825.5	+ 1.2
Hawaii	76.0	123.3	128.4	126.7	+ 2.8	1,060.1	1,148.6	+ 8.3
Idaho	74.5	107.1	113.7	112.3	+ 4.9	902.0	935.6	+ 3.7
Illinois	1,677.5	2,220.5	2,254.6	2,271.4	+ 2.3	19,823.1	20,128.3	+ 1.5
Indiana	663.5	863.5	855.5	859.5	− 0.5	7,641.9	7,536.2	− 1.4
Iowa	357.3	471.9	469.9	478.9	+ 1.5	4,096.4	4,290.1	+ 4.7
Kansas	281.8	386.6	420.1	388.0	+ 0.4	3,373.9	3,518.7	+ 4.3
Kentucky	307.1	386.9	418.0	428.3	+10.7	3,442.2	3,685.0	+ 7.1
Louisiana	318.3	441.0	453.8	463.6	+ 5.1	3,891.1	4,061.8	+ 4.4
Maine	112.8	155.4	159.3	154.7	− 0.5	1,395.2	1,394.9	− 0.02
Maryland	432.3	625.6	643.8	648.8	+ 3.7	5,519.1	5,623.9	+ 1.9
Massachusetts	799.8	1,070.8	1,125.6	1,125.5	+ 5.1	9,771.4	9,957.7	+ 1.9
Michigan	1,234.1	1,530.7	1,360.4	1,288.2	−15.8	13,673.1	12,199.0	−10.8
Minnesota	434.8	602.4	625.8	635.7	+ 5.5	5,233.4	5,470.4	+ 4.5
Mississippi	160.9	216.8	214.4	230.0	+ 6.1	1,833.3	1,894.9	+ 3.4
Missouri	600.9	809.6	826.5	839.1	+ 3.6	7,062.0	7,405.5	+ 4.9
Montana	92.3	128.6	127.5	135.1	+ 5.1	997.4	1,071.5	+ 7.4
Nebraska	182.5	254.5	259.1	262.7	+ 3.2	2,216.7	2,292.7	+ 3.4
Nevada	43.1	71.2	73.0	74.8	+ 5.1	609.4	624.9	+ 2.5
New Hampshire	75.2	105.6	112.5	109.1	+ 3.3	951.2	967.0	+ 1.7
New Jersey	982.9	1,371.4	1,423.8	1,411.5	+ 2.9	12,215.4	12,593.5	+ 3.1
New Mexico	91.8	142.1	143.0	148.4	+ 4.4	1,262.2	1,297.7	+ 2.8
New York	2,887.9	3,953.6	4,023.1	3,994.4	+ 1.0	35,141.2	35,778.8	+ 1.8
North Carolina	429.0	722.2	665.9	756.1	+ 4.7	5,274.2	5,424.2	+ 2.8
North Dakota	67.4	108.2	97.7	104.6	− 3.3	819.2	810.0	− 1.1
Ohio	1,476.3	1,906.2	1,928.3	1,934.5	+ 1.5	17,159.1	16,980.9	− 1.0
Oklahoma	268.5	360.8	365.9	374.4	+ 3.8	3,222.2	3,338.4	+ 3.6
Oregon	249.8	353.6	369.6	371.0	+ 4.9	3,006.7	3,125.8	+ 4.0
Pennsylvania	1,678.6	2,126.7	2,228.2	2,254.4	+ 6.0	19,453.8	19,648.8	+ 1.0
Rhode Island	129.9	153.4	165.7	169.8	+10.7	1,437.5	1,485.1	+ 3.3
South Carolina	210.0	305.2	311.0	301.8	− 1.1	2,500.8	2,514.1	+ 0.5
South Dakota	73.7	110.8	116.8	114.2	+ 3.1	926.0	969.9	+ 4.7
Tennessee	345.9	463.6	481.9	493.0	+ 6.3	4,084.9	4,254.3	+ 4.1
Texas	1,132.9	1,564.9	1,616.4	1,594.0	+ 1.9	13,730.8	14,090.2	+ 2.6
Utah	98.1	148.9	156.9	155.1	+ 4.2	1,274.3	1,347.7	+ 5.8
Vermont	45.9	61.3	63.5	62.2	+ 1.5	548.8	550.9	+ 0.4
Virginia	383.3	614.2	631.7	660.6	+ 7.6	5,452.3	5,553.3	+ 1.9
Washington	418.0	578.4	598.9	605.8	+ 4.7	4,940.2	5,176.1	+ 4.8
West Virginia	209.7	261.7	270.1	269.2	+ 2.9	2,337.6	2,389.3	+ 2.2
Wisconsin	528.2	728.9	738.9	750.5	+ 3.0	6,434.2	6,614.9	− 2.8
Wyoming	45.9	72.7	71.4	74.2	+ 2.1	590.4	592.7	+ 0.4
Nation	$24,363.5	$33,876.7	$34,602.3	$34,782.8	+ 2.7%	$298,728.8	$305,019.6	+ 2.1%

September 1961, preliminary; August 1961, and September, 1960, revised.

Consumer credit on the rise?

Auto credit, personal loans should turn up smartly but no credit spree is likely

Auto loans are the drag



Data: Federal Reserve Board © Business Week

With 1961 almost over, the consumer credit industry is hoping for a big rise in consumer borrowing next year, and some lenders already say that they see encouraging signs.

There's some wishful thinking in the industry, for 1961 was a slow and disappointing year. In five of the first nine months, installment credit outstanding—after taking seasonal factors into consideration—registered slight declines (chart). Even in the months when volume rose, the increase was slim.

Finance company officials and bankers in the consumer lending field say that consumers have been just as cautious this year as they were in late 1960 [BW Dec.17'60, p74]. They report that borrowers' general reluctance to build up their indebtedness has served to slow down business activity.

Dragging autos. But most of the caution has shown up in one field. As the chart shows, the drop in auto credit is responsible for the disappointment expressed by consumer lenders. It more than offset a sharp increase in personal loans. At the same time, the other components of installment credit—non-auto durable goods paper and home repair and modernization loans—showed little change.

This picture, however, should change for the better in relatively short order. A Business Week spot check shows that major consumer lenders expect an increase in consumer borrowing of anywhere from 5% to 10% in 1962, which would boost total consumer credit over the $60-billion level.

Two lifts. Lenders cite two main reasons for their optimism:

- Auto sales have been picking up smartly. Sales for the first 10 days of November were the highest in history, and there is no sign of any letup in the buying pace. Increasingly, sales finance company economists accept Detroit's claim that car registrations in 1962 could easily hit 6.6-million, compared with a rate of about 5.8-million this year. Regularly, about two-thirds of all new cars are sold on credit.
- Cash borowing, which has been going up steadily throughout the consumer credit "recession," shows signs of rising at a faster clip. Dr. Ernst A. Dauer, economist for Household Finance Corp., the largest small loan company, points out that an upturn in personal loans usually lags six to eight months behind the rise in the general economy. At Beneficial Finance Co., Household's biggest competitor, officials say a "better than seasonal improvement" is already evident in many branches.

Could be profitable. An upturn in consumer borrowing should mean a further boost in the earnings of the finance companies. This year, earnings held up well because a sharp drop in the cost of the money helped to offset an increase in delinquencies and a lower volume of auto financing.

Already, the delinquency rate is dropping—particularly at the big companies that could afford to turn away business to keep their credit standards high during the recession. If volume picks up as well, their profits should rise rapidly. In addition, small loan companies have benefited from legislation liberalizing regulations in New York, Ohio, and California.

No spree, though. For all the optimism that the consumer lenders have been showing, it's not likely that a consumer credit "spree" such as that in 1955 or 1959 will develop.

In 1955, when total consumer credit shot up about $6.4-billion, the big push came from a marked relaxation of credit terms on automobiles; in 1959, with a $6.6-billion increase, much of the impetus came from the rapid expansion of new bank credit plans [BW Jan.17'59, p115].

For 1962, though, there's nothing brewing in the consumer credit markets that could markedly stimulate borrowing. Almost every company—and bank—says it has no intention of further relaxing auto credit. Moreover, bankers have cooled considerably on the revolving check credit and charge account plans they pushed so hard in 1959.

Some of the lag in outstanding credit this year stems from heavy borrowings in 1959 and early 1960. Consumers have been paying off this debt, and the high level of repayments—about $4.1-billion in Sep-

tember, compared with $3.96-billion the previous year—means that extension of new consumer credit will have to mount sharply in order to offset the big return flow of cash.

Personal loans. Lenders who concentrated on personal loans did well this year. Part of the growth in these loans comes from financing that used to be done through sales finance contracts. Retailers like the revolving check credit plans that the banks have pushed. And borrowers like the flexibility, privacy, and lower cost of simply taking out a line of credit at a bank and then spending the money as they see fit.

Far more important, the shift to cash borrowing reflects the change in the mix of consumer spending—away from durables (most often financed via a sales finance transaction) to services (which can best be financed by a cash borrowing).

George Dimmler, economist for CIT Financial Corp.—the No. 2 sales finance company, which recently has been moving aggressively into cash lending—says that the most common reason for making a cash loan is to consolidate debts, such as travel expenses, school bills, or doctor bills. Adds Dimmler, "Spending for services is one of the most important factors in the growth of cash lending."

Diversifying. The shift to cash lending and the sluggishness of the durables market are also having an impact on the smaller sales finance companies, which traditionally have done little else but finance cars. Such companies are diversifying into cash lending as well as into some aspects of commercial financing.

Naturally, this has meant increasingly sharp competition among finance companies, as well as plenty of headaches for the sales finance man who is trying to learn new lines of business in a hurry.

Outlook. It's probable that cash borrowing will continue to increase next year. But if the consumer credit industry is to have a big year, it must experience a rise in the financing of durables, particularly autos. This would call for a reversal of the trend through September.

At this stage, some optimism appears justified, but there seems to be little likelihood of the kind of explosive increase in consumer credit that in the past has led to demands for government controls.

An officer of an Eastern small loan company comments that "Washington isn't concerned with consumer credit controls—they're trying to think of ways to get the consumer to buy, not to keep him from buying." **End**

The teeth in Maryland's S&L law

State's belated move to supervise non-federally insured companies—taken after baring of abuses—may lead the way for stiffer controls by U. S. agency

A belated effort by the state of Maryland to tidy up its uninsured savings and loan associations is being watched by the entire S&L industry. How to supervise non-federally insured S&Ls is a hot question again. What's more important, abuses found in the Maryland case may lead the way to tighter control of federally insured S&Ls by the Federal Home Loan Bank Board.

This week, Maryland revoked 120 state S&L charters, asserting that the dormant institutions neither make loans nor take savings. (One S&L has appealed.) Earlier, the state had revoked 257 charters of the 739 known to have been in existence last June, and estimates are that only 399 are now active—three others are inactive. As one industry man puts it: "The Reno of the S&L industry is being shuttered."

Inevitably, some of the good apples—both inside and out the state—are getting bruised. Non-federally insured S&Ls in Maryland report unusually heavy withdrawals since disclosures of insolvency and questionable practices by some of their competitors; federally insured S&Ls say savings aren't keeping up, either.

The same pattern has occurred in other parts of the country when non-federally insured S&Ls ran into trouble. But this time, the Maryland case is providing enough ammunition to give FHLBB a good argument for more specific authority to control the loan-making powers of federally insured S&Ls.

The laggard. Actually, while Maryland has been a laggard in supervision of state S&Ls (by the late 1930s it was the only state without some regulation), the lack of controls caused surprisingly little trouble for quite some time. But in 1958, three indictments were obtained on mail fraud charges. One conviction—now being appealed—has resulted, and the two other cases are now in the courts.

Last year, the big reception that S&L stocks received in Wall Street changed the situation completely. Tempted by the profit potentials of going public, a flock of newcomers entered the state; in Maryland, it costs only $30 in filing fees to get a state charter for an S&L.

Unlike the bulk of S&Ls, which are mutually owned, these were mostly stockholder-owned operations—in exchange for savings, savers are given so-called free shares, but control is vested in management shares, held by a few sponsoring individuals. These sponsors attracted funds by offering high interest—over 6% in some cases—and by splashy giveaways. This was paid for by even higher yields received through free and easy investment policies.

Pressure to block fly-by-nighters was strong, but for some time the legislature took no action. Finally, last June 12, a Maryland regulatory act was put into effect, but the law is still being challenged in the courts.

The act establishes a regulatory agency with examination powers, authority to control types of investment, and power to take over management if free share interests seem threatened. It also prohibits the formation of new multi-stock companies and the taking of second mortgages unless the S&L holds the first.

Three affected. Application of the law, so far, has hit three state-chartered, non-federally insured S&Ls.

Phoenix Savings & Loan Assn., of Baltimore, is operating under a court-appointed conservator on charges that it violated the law by taking mortgages more than 50 miles from its head office.

Military Service Savings & Loan Assn., Silver Spring, is in receivership after charges that a large block of its loans was made to companies with which its president, Murray Michael, was connected.

Family Savings & Home Loan Assn. also is in receivership. The state alleges that Family, with some $5-million in accounts in its eight branches, is insolvent, that its position has been impaired by unsecured loans to companies with which Family officials are connected, and that it continued to pay dividends while it piled up an operating deficit of $710,000.

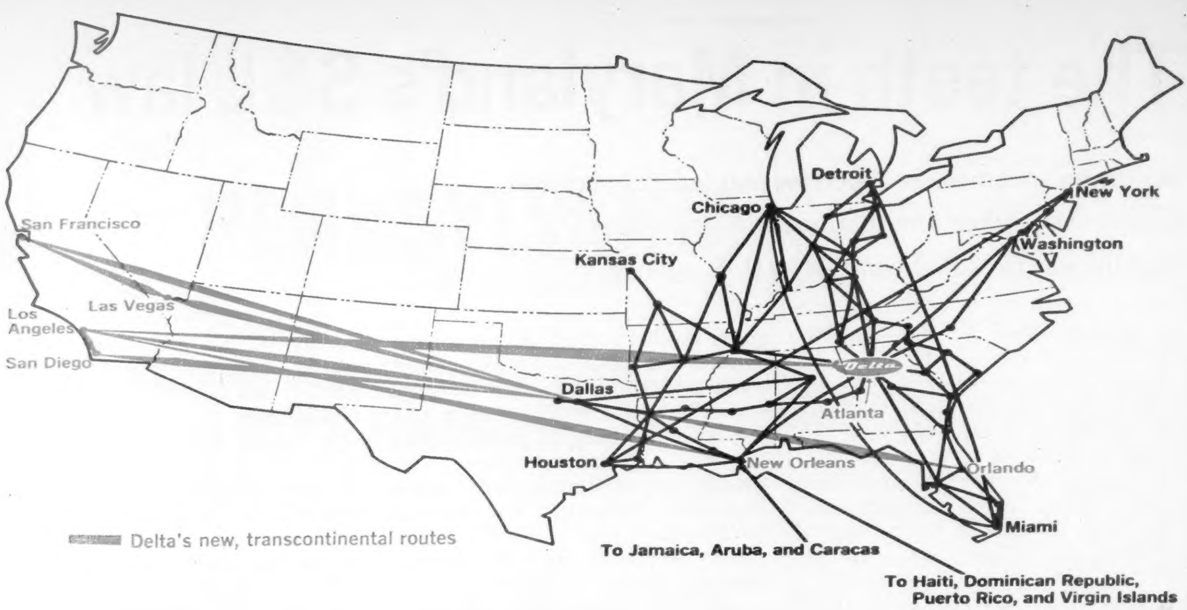
Insurance has played a prominent part in goading Maryland authorities into legislating supervision and reforms. S&Ls in the state have total assets of some $1.6-billion. But about $288-million in assets are not federally insured. Maryland authorities insist that most uninsured S&Ls in the state will be found to be ethical, solvent, and performing a necessary function, but they concede that the risk of uninsured accounts must be considered.

Commercial policies. Some of the associations under fire claimed to have commercial insurance covered by the International Guaranty & Insurance Co., of Tangier, Morocco, whose operations were investigated by Atty. Gen. Louis Lefkowitz of New York.

Another commercial insurance company used by some of Maryland's non-federally insured S&Ls was Security Financial Insurance Corp. of Baltimore. Security Financial took over the insurance of several S&Ls previously handled by International Guaranty.

The president of Security, until July, was Charles F. Culver, a member of the Maryland House of Delegates and vice-chairman of its banking committee; vice-president was Roy N. Staten, another legislator. Directors included A. Gordon Boone, majority leader of the Maryland House, Michael J. Birmingham, state national committeeman of the Democratic National Committee, and Claude A. Hanley, former Maryland State Banking Commissioner.

Security Financial has assets of little more than $1-million, but it has insured associations whose assets were many times that. When the legislature adopted a law limiting companies insuring S&L accounts to liabilities of 10% of their assets in any one situation—which would have cut down Security's business unless it reinsured—the law provided two years to comply, as a compromise. **End**



TRANSPORTATION

Delta: a big little airline

Or perhaps the smallest of the big lines. Either way, Delta has to grow in order to keep its unusually profitable business. But so far it has looked like a one-man company

In 36 years, C. E. Woolman (cover and right) has almost singlehandedly reshaped Delta Air Lines, Inc., from a rickety crop-dusting company into the nation's fifth-largest domestic trunk airline—and one of its most profitable.

Delta today is the biggest of the small domestic trunks, with a comfortable lead over the next in rank. But it is just as easily described as the smallest of the big lines, well behind the so-called Big Four.

Therein lies Delta's problem. Its in-between position is untenable. Delta has to grow. And no one knows this better than Woolman—its founder, president, general manager, and second-largest individual stockholder.

Realignment. A shakeout is almost certainly coming to the nation's airline industry. There are too many carriers, many with seasonal imbalances and with inefficiently utilized equipment. If airlines don't soon merge of their own accord, the Civil Aeronautics Board is going to press them to merge along CAB-approved lines [BW Nov.18'61,p91].

Delta is a prime candidate for merger. Its heavy Florida tourist traffic in winter would provide a use for another airline's idle equipment, and Delta—unlike many another carrier—is a consistent money maker. Quite a few less fortunate airlines have been eying it lately, hoping to use Delta's profits to offset their losses.

"We are not opposed to mergers," says Woolman, "but we are definitely not of a mind to enter into any merger that will weaken rather than strengthen Delta." He emphasizes Delta because it is clear that Woolman would insist his be the surviving company. Further, he does not want to merge with an ailing airline, taking on unwanted routes and debts, with CAB performing a shotgun wedding.

Into the blue. To avoid being swallowed therefore, Delta must become even stronger than it is—quickly. It must do it on new, relatively thin routes where it does not have many of its old advantages, and it must do it in the face of renewed competition.

Last spring it was awarded a new route across the southern tier of states, making it a transcontinental carrier [BW Mar.25'61,p123]. Up to that time Delta had achieved success largely by being a regional carrier in the truest sense of the word.

It had blanketed the Deep South with its routes and with its reputation for friendly and attentive service. In an area that abounds in local pride, warmth, and loyalty, Atlanta-based Delta was, and is, the South's own. But now, in sallying forth from its stronghold to the Far West it must do without this built-in market loyalty. Meanwhile, it faces new competitive attacks at home.

The competition. As a result of a merger with Capital Airlines early this year, United Air Lines, now the country's biggest, is flying against Delta on the Atlanta-New York and New Orleans-New York runs. Woolman admits United will be a more formidable competitor than Capital was. And Eastern Air Lines, Delta's chief competitor, has changed its ways [BW Nov.4'61, p90], wooing customers with unaccustomed tenderness.

Both United and Eastern are im-

C. E. Woolman is almost everything to Delta—its founder, president, general manager, and second-largest stockholder

plementing their routes with jets, ending an equipment advantage Delta has had for the past several years.

Yet the company is not alarmed or pessimistic. "We will compete as we've been able to compete for the past 25 years," says Todd G. Cole, executive vice-president (administration). Jets have brought changes, he believes, but the fundamentals of running an airline remain. "Jets are a wonderful competitive tool, but that tool has to be properly used to be effective," he declares.

This is where the approach that Woolman has stamped on Delta can make the difference in a competitive battle. More and more, major competing lines are flying comparable planes on pretty much the same schedules, serving steaks of equal toughness. The intangibles that comprise service and passenger satisfaction are what shift passengers from one line to another.

Friendly approach. Woolman won't talk freely about his views on what makes Delta run. "You just sound maudlin," he says. But one of his executives puts it this way: "Mr. Woolman tells everybody in the company that the fellow on the other side of the counter must be treated the way we would want to be treated."

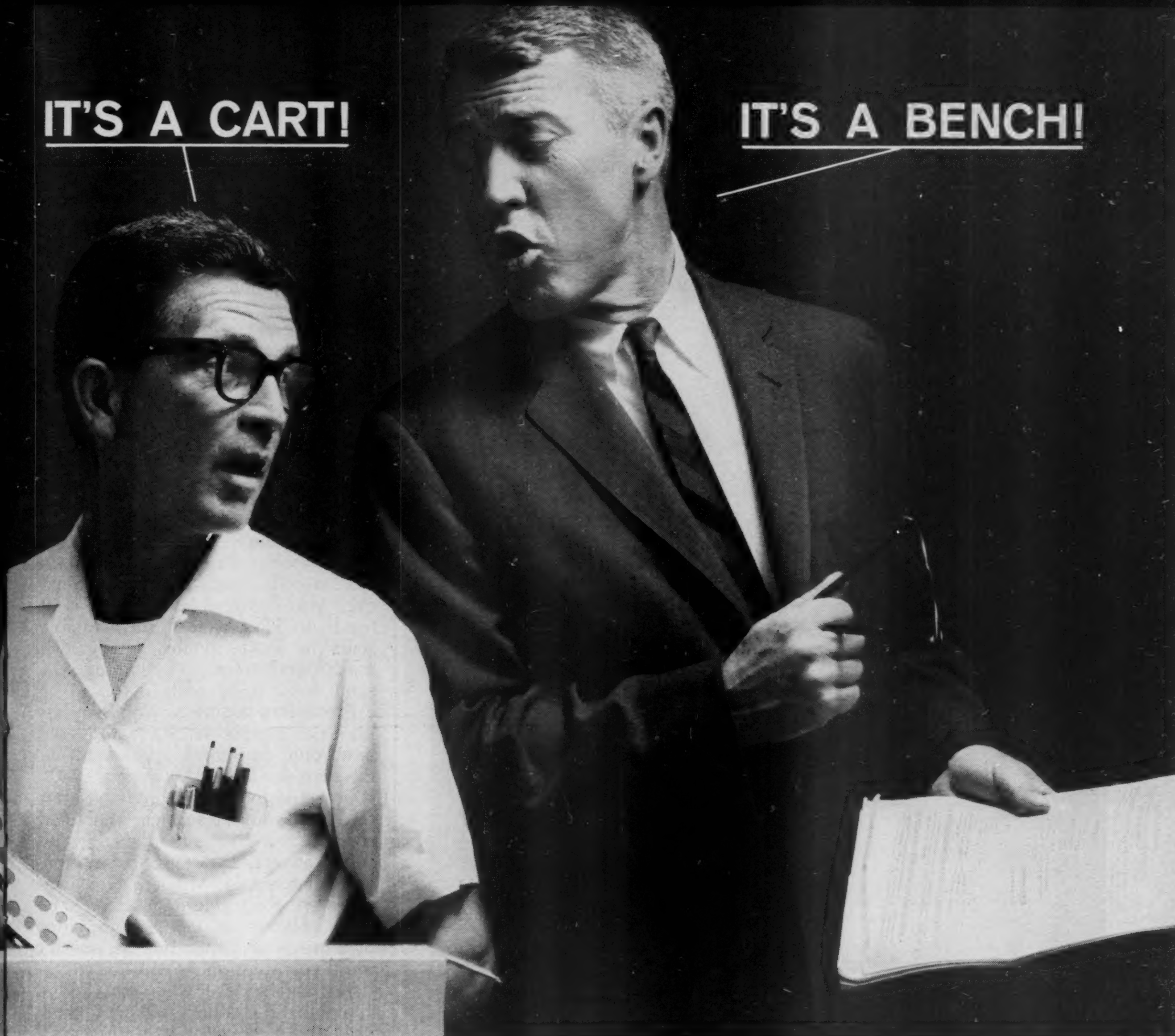
For example, Woolman wants his clerks to sell Delta, certainly, but where a competitive flight appears to fit requirements, he wants them to tell the caller about it. Once, a Delta stockholder who had been given information about an Eastern flight wrote Woolman a caustic letter. Woolman replied that Delta would not change its policy just to make an immediate sale.

Building loyalty. Over the years, Woolman has extended his ideas and his personality throughout Delta. With a warm, easy-going, plain-spoken manner, he is a master of personnel relations.

In traveling around the system, he constantly wanders off to talk to baggage people, pilots, truck drivers, and maintenance men. Every day he brings an orchid to work to hand out to some surprised secretary or clerk. He personally hands over gold watches or puts pins on 20-year employees.

"I've had to give up pinning the 10-year people," he says, sadly. There are too many of them. And his pride in Delta's growth is tinged with regret when he says, "I used to know everyone at Delta, but with 8,000 employees, I don't any more."

Fiscal result. In a year that has been described as the worst the industry has ever known, Delta is


IT'S A CART!
IT'S A BENCH!

still making money. In its fiscal year ended last June 30, the company netted \$4.7-million on revenues of \$146-million, both of which were records. And this was accomplished with many of the breaking-in expenses and almost none of the revenue from the new, transcontinental routes.

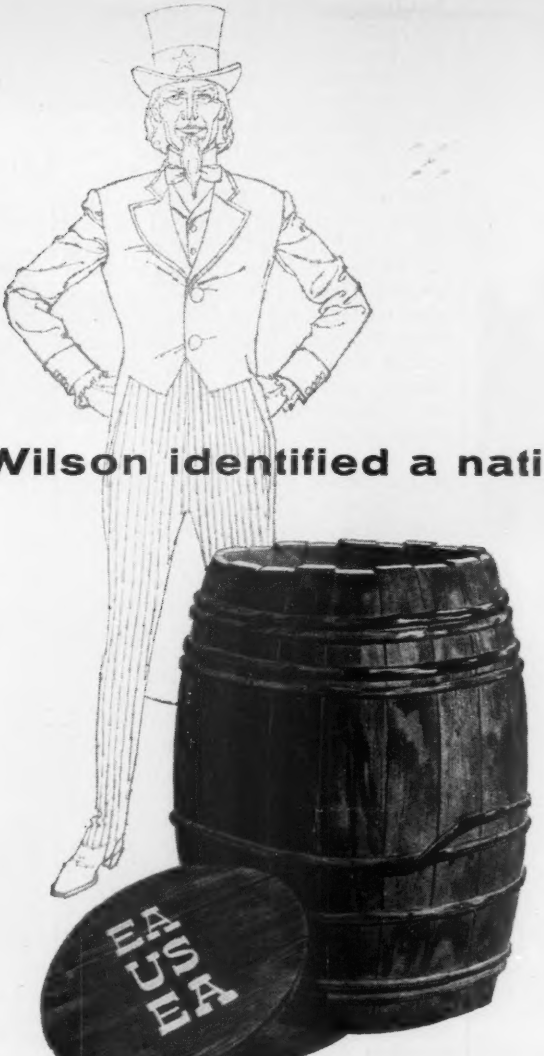
With these routes adding more than \$30-million a year in revenues, Delta is far stronger. As the economics of flying operate, the longer the distance flown, the lower the unit cost of flying. This is especially true of jet airplanes. To justify operating jets—and without them a line like Delta couldn't compete—long hauls between major cities are essential. Delta's flight system, prior to the award of new routes, included many short hauls and a few reasonably long ones. Being able to fly across the country means that, on a system-wide basis, Delta's break-even load factor is lower—that is, it needs to fill fewer of its available seats to make money. Or, it can make more money by filling the same number of seats.

Promoting business. Woolman has his sales people in cities along the new route working hard to see that the seats are filled. Delta spent \$500,000 on promotional activities prior to actual start of service. Woolman spends liberally, if not lavishly, on such advertising and promotion. Says Thomas M. Miller, Delta vice-president for traffic and sales: "The boss believes in using both sides of a piece of paper but he doesn't mind spending on promotion advertising and service when he can be convinced the dollars will come back dragging a nickel or so with them."

In addition to regular media advertising, Delta does such things as having its local sales managers take traveling executives' secretaries to lunch, complete with orchid, and having a specialist who works with ladies' groups in, say, sponsoring a what-they-are-wearing-in-Florida fashion show in Chicago.

Coast-to-coast route. During its initial three months of operating over the Los Angeles route, Miller reports, Delta flew with a profitable 60% of its available seats filled.

"The profit potentials of the new routes are enormous," Miller claims, largely because of the tremendous sums of money to be spent on space research. "This money isn't going to be spent in Yankee-Land," he says. "It will pour into Cape Canaveral, Huntsville, New Orleans, Houston, and California. We're the principal carrier linking all this up. We can already see this on our Orlando to California run—the response to this



Sam Wilson identified a nation . . .

Effective identification of things sometimes happens purely by chance—but catches the fancy of people so thoroughly that familiarity becomes universal and lasting. This was just what happened during the War of 1812 when a government meat inspector, familiarly known around Troy, N.Y. as "Uncle Sam," stamped barrels and boxes of meat with U.S.-E.A. to indicate that the supplier was an Elbert Anderson. A casual question about the meaning of "U.S." and the half-serious answer, "it must mean Uncle Sam," was all it took to coin a nickname that has forever afterward identified our government and nation as a whole.

Most good identification, however, isn't this fortunate in its immediate recognition—and is rarely the result of chance. You have to decide what you need to say to identify your product or package *completely*—and then which particular identification *method* will do the best job at the least cost.

How do you know where to start, in judging the individual merits of labels, imprints, tags, decals, color-codings or hand stamps? One good way is to ask a company whose whole *business* is effective identification . . . a company that has helped thousands of firms in every industry with more complete and more economical identification. We regularly solve "problems"—but we also help many companies who have no "problem" but just want to make sure they're using the best possible method. Write Markem Machine Co., Keene 33, N.H.

New folder "Helping your product speak for itself" on request.

MARKEM

HELPS YOUR PRODUCT SPEAK FOR ITSELF

has been nothing short of amazing." (Orlando has the closest major airport to Cape Canaveral.)

More jets. To handle the expected growth of business over its new routes, Delta has seven more jets on order for delivery early next year. These will cost about $36-million—over and above the $60-million that Delta has already borrowed to pay for its present 12 Convair 880s and six DC-8s. Because of the airline's proven earnings record and favorable outlook, however, the second-wave financing has been easier for it than it has been for many carriers. Banks and insurance companies have already agreed to extend additional credit.

Delta was ready last month to go to the public with equity financing—an almost unheard-of feat for an airline these days—when a premature news story upset the deal.

So far, Delta's decisions about new planes have proved smart. The tremendous cost of jets has put an end to any small mistakes—all mistakes now become big ones. But Delta has avoided both pitfalls of overbuying planes and of being caught at a competitive disadvantage with too few. When Eastern gave up its early delivery position on DC-8s to wait for a later model with a bigger engine, Delta sneaked in and took many of the planes originally intended for its competitor. It was first on its routes with both the DC-8 and the 880.

Who's in line? Profitable and smart as Delta has been, there is a major cloud on the horizon. Where one man has shaped a company, the question inevitably arises as to who will guide it when he steps down. At 72, Woolman is one of the last pilot-founders whose hand is still firmly on the control stick of his company.

In talks with Delta executives, the deference in which they hold him is quickly apparent—a deference that stems from his experience and seniority—and the firmness that lies behind his friendly manner.

But now Delta is at a crossroads. It isn't a friendly, middle-sized airline any more. It has become big business, requiring a business management—along with the same warmth and friendliness that has brought it to its present success.

There is no obvious successor in view at Delta. As Woolman puts it, "We haven't appointed any crown princes." But Delta Chmn. Richard W. Freeman claims: "Lots of time and thought has been given to this. We will not have to go outside. There are several candidates all being considered." **End**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motorized for fast, easy operation
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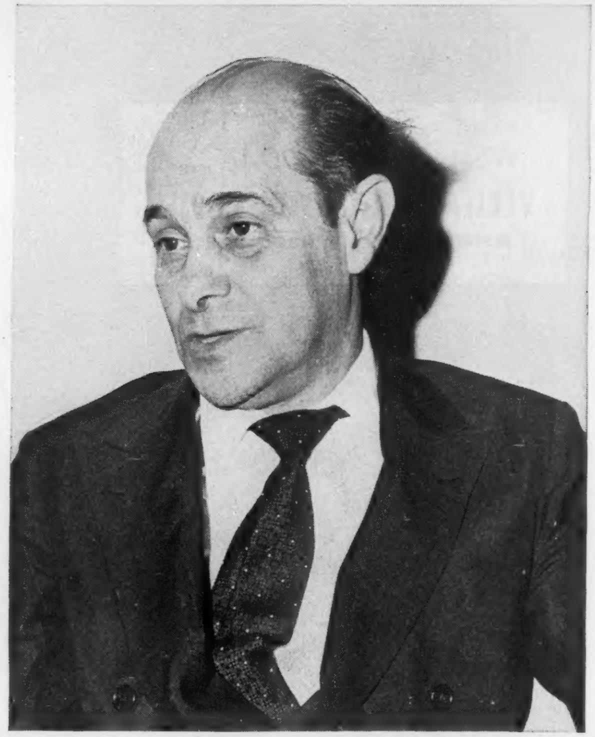
Brazil's Pres. Goulart shares power with cabinet, Congress



Prime Minister Neves heads cabinet in compromise regime

Brazil gropes toward reform

Makeshift government formed after resignation of Quadros is desperately trying to put over economic reforms to halt inflation and restore public confidence

Three months after Janio Quadros walked out as president of Brazil [BW Sep.2'61,p22], the nation is:

- Caught up in the dizziest inflationary spiral in its inflation-ridden history.
- Still groping for political stability with a hastily assembled government that is a compromise in both people and form.

Chances that the inflation will disappear soon are unlikely; chances the government will survive without drastic modification are doubtful.

Neves' program. In an effort to halt the drift toward chaos and create public confidence in his patchwork government, Prime Minister Tancredo Neves last week gave Congress his prescription for surmounting the crisis. His solution basically called for prompt action by Congress on land reform and antitrust legislation already asked by Quadros and on forthcoming requests for tax measures, an overhaul of the banking system, and credit curbs.

In his 48-page speech, read to a half empty Chamber of Deputies in Brasilia, the Prime Minister acknowledged that time was running out for his government—perhaps for democratic institutions in Brazil—unless it is able to make headway soon against inflation.

Bleak outlook. Since August, food prices have gone up an average 50% in some areas. Living costs in Rio de Janeiro rose 5% in October alone, a rate that could in eight months wipe out the recently granted 40% increase in minimum wages.

Business is feeling the pinch of tight money. Uncertainty has driven loose cash abroad or into inflation-proof articles such as diamonds. And the flow of incoming capital has been sharply reduced.

In the background looms the social unrest; more than 2-million wage earners are ready to strike. Just last month in Rio, on the heels of a transport strike, bank employees stayed home nine days to enforce demands for raises totaling 60%.

All of this presents a dismal picture of the nation that six months ago the U. S. hoped would serve as the model for economic development with the help of Alliance for Progress funds, combined with a program for financial stabilization.

Compromise government. The political side of the picture is little better. Quadros' resignation, now believed to have been caused more by his emotional instability than right-wing pressure, plunged the country into political upheaval. The military leaders maneuvered to block Vice-Pres. Joao Goulart, who is not a member of Quadros' political

Neves made it clear that the main hope for stemming inflation is to increase revenues...

Story on page 72

party, from taking over because they considered him too far left.

After a week of rumbling and the threat of civil war, the politicians and generals agreed to a compromise: a parliamentary regime with powers shared by Goulart as president, a ministerial council, and the Congress.

To head the new cabinet, Goulart proposed and Congress accepted Tancredo Neves, a minor league politician sidelined since serving with Goulart in the last cabinet under dictator Getulio Vargas half a dozen years ago. The new government pledged itself to work for Quadros' objectives, but to no one's surprise it has been patently ineffective.

Basic difficulties. There are several basic reasons for the ineffectiveness of the new government: (1) It was put together to solve an immediate political crisis rather than to carry out a long-range governmental program; (2) it is a weak regime without popular mandate trying to enforce the program of a strong popular executive who had full presidential powers; and (3) although labeled a "national unity" government, in reality it represents strongly divergent economic and political views.

Economic plan. In outlining fiscal and economic plans for 1962 to Congress, Neves made it clear that the main hope for stemming inflation is to increase federal revenues, thereby reducing the Treasury's cash deficit. In recent years, the deficit has run to 25%. Neves would boost revenues through a new tax bill that would increase personal, corporate, and sales taxes. The proposed legislation would close loopholes and distribute the tax burden more equitably. The government says the bill offers inducements for greater industrial and agricultural output, and incentives to foster exports of manufactures.

In next year's budget, no attempt will be made to cut drastically the funds going to major economic development projects.

Reaction. The message fell far short of its advanced billing as a request for emergency powers. "Just words aren't enough," one businessman commented. "There's nothing in it that we didn't already know."

There was disappointment over the Prime Minister's failure to say anything about measures to cut the $200-million annual national railways deficit or new steps to discourage coffee overproduction—both political hot potatoes. But businessmen reacted favorably to Neves promise of no retreat to a multiple exchange and his support for the milder of two bills to regulate profit remissions abroad.

The feeling in general is that Neves is justified in placing responsibility for inaction on Congress, where ultraconservatives have stalled passage of Quadros' reform legislation. After months of discussion, Congress still has not voted enabling legislation to keep SUDENE, the development agency for Brazil's impoverished northeast region, on a going basis, thus opening the way for U. S. aid.

Neves' speech was evidence that the government has begun to fill the power vacuum left by Quadros' resignation. But the business community and the public in general are waiting for performance, both by the Cabinet and Congress, before they place confidence in the new government or undertake sacrifices.

The prospects. If the Neves government should fail, however, then what? The parliamentary compromise has not lessened the split between left and right. Leftists want a new constitution to write social reforms and restore Goulart's full presidential powers. Supporters of Quadros, who is on a world-circling trip, say his return to public life is certain next year. Another group is looking for a man on a white horse.

Elections for a new Congress come up next October, and there are stormclouds overhead already. The inflationary impact of forthcoming raises for government workers is but one. If the Neves government can last until then, the outlook for a further trial of the parliamentary system, with a stronger middle-of-the-road cabinet, will improve. Two factors currently are working in Neves' favor: The extremes of the left and the right neutralizing each other, and progress toward restoring military harmony. **End**

Far East trade ties stressed

Businessmen are told U. S. won't neglect Asia in drafting new trade policy

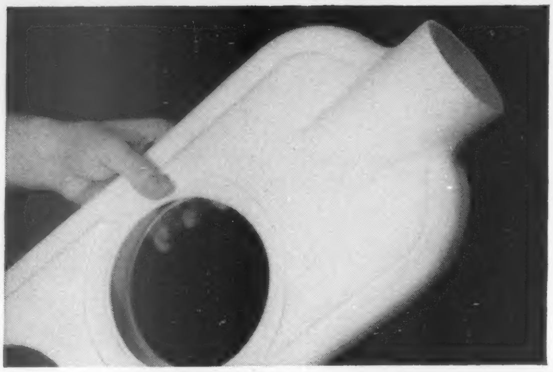
The Administration is formulating its new foreign trade policy with the main focus on Western Europe's expanding Common Market [BW Nov. 11'61,p27]. Last week Washington officials sought to assure businessmen concerned with the Far East that they are not being forgotten.

Alexis Johnson, Deputy Under Secretary of State, told an audience of U. S. and Asian businessmen: "Your interests and the interests of the countries of Asia are much in the forefront of our minds in this development. We are very conscious that the interests of the U. S. are no less in the Pacific and Asia than in the Atlantic and Europe."

"While we look forward to closer relations with Europe," Johnson said, "we equally look forward to closer relations with Asia, including the field of commerce and industry. We on our part are not thinking in terms of exclusive arrangements which would discriminate against any other part of the world."

Following Johnson's address at the 14th annual conference of the Far East-America Council of Commerce & Industry in New York, William Ruder, Assistant Secretary of Commerce, reviewed current trends in trade with Asian nations and pointed to prospects for future markets. Japan is the leading market, taking 9.4% of all U. S. exports during the first half of 1961. Japan will continue to be an important market, he said. But Thailand, which has launched an economic development plan, and India and Pakistan, which are well along in their plans, are increasingly important markets for U. S. products.

A third U. S. official, Avery F. Peterson, Deputy Assistant Secretary of State, said that the ministerial conference between top U. S. and Japanese officials in Hakone, Japan, earlier this month [BW Nov.11'61, p79], "provides a measure of importance attached to the charting of a constructive approach to economic developments and opportunities in the Pacific." **End**



1 Blow molded of high-density polyethylene, it's a
(a) bottle warmer *(b) traffic light housing*
(c) counter display

2 Individually quick frozen foods are wrapped in polyethylene film for
(a) display *(b) faster freezing* *(c) convenience*

Can you pass this test on Polyethylene Plastics?

(You'll profit by knowing them better)

3 It's laying military cable jacketed in high-density polyethylene at
(a) 10 mph *(b) 30 mph*
(c) 100 mph

4 Coated paper liner gives this frozen food box
(a) protection from food *(b) easier opening*
(c) leakproof seal

5 Polyethylene pipe (right) and conventional pipe both carried brine for
(a) ten years *(c) six months* *(b) one year*

ANSWERS . . . *to an increasing range of needs are found in BAKELITE polyethylene plastics.*

1. Check (b). It's one piece, seamless, weather-resistant, translucent.
2. (a) and (c). Resistant even to sub-zero cracking and tearing, it can wrap unused portions returned to the refrigerator.
3. (c). To speed combat communications. This tough material can take abrasion, flexing, weather.
4. Check (b) and (c). It heat-seals to an easily opened liquid- and vapor-tight closure.
5. (b). . . . and the polyethylene pipe still looks fresh and clean.

If you have questions—about plastics and their potential for your business—please ask us. We'll be glad to answer on the uses of epoxies, polyethylenes, phenolics, styrenes, vinyls and polypropylenes. Just write or call any of our offices or write Dept. KU-19K, Union Carbide Plastics Company, Division of Union Carbide Corporation, 270 Park Avenue, New York 17, New York. *In Canada:* Union Carbide Canada Limited, Toronto 12.

UNION CARBIDE PLASTICS

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In business abroad

Pay raise for electrical workers breaks the line on Britain's wage freeze

Britain's government-imposed wage freeze policy this week received its first major setback—one that may spell serious trouble [BW Jul.29'61,p23].

To avert a nationwide power strike, Whitehall was forced to grant a 2¢-an-hour wage increase to 120,000 workers in Britain's nationalized electrical supply industry. The settlement also provides for an additional payment ranging from 70¢ to $1.19 a week to each worker with two years of service in the industry, an estimated 80% of the total. This will be doled out according to the grade of the worker—apprentice, semiskilled, skilled.

The total bill for this increase is an estimated $12.6-million annually—an addition to purchasing power that Britain's economists do not like now that they are trying to impose austerity.

What's more important, the fact that a major nationalized industry has granted a wage increase so soon after the wage pause was announced will seriously hamper Whitehall's attempt to raise productivity and correct Britain's balance-of-payments problem. But the real trouble has yet to come.

Although the wage increase was a small one, the important point is that the principle of a wage freeze was broken—a fact that other British workers and unions will be quick to grasp. Yearend is the traditional time in Britain for wage negotiations. Whitehall will be hard put to deny other wage increases and further weaken the austerity program. The alternative might be a wave of crippling strikes.

U. S. company offers to set up machinery abroad to make its tractors

In such scattered points as India, Colombia, and Lebanon, local agricultural experts this week are testing a U. S.-made farm tractor to see whether they want to buy the plant to manufacture it abroad. This is the sales package being offered to foreign governments and businessmen by the Tiger Tractor Corp. of Keyser, W. Va.

Tiger Tractor offers six proposals to build plants to manufacture anywhere from one to four basic tractor models with a complement of special attachments. Cost of manufacturing equipment ranges from $240,526 (one basic model) to $627,850 (four basic models).

For this, Tiger will supply all machinery, technical knowhow, and supervise construction. The foreign group buying the equipment usually must provide the building to house it. If not available, Tiger will construct a building for an extra fee.

The U. S. company keeps 25% interest in the new plant "for continuing technical services." **The foreign buyer can take over Tiger Tractor's interest for $100,-000.**

Tiger Tractor helps the prospective client to get financial backing for the undertaking. The U. S. company makes the rounds of Washington's lending organizations—Export-Import Bank, Development Loan Fund —to get government financing.

Guinea threatens to expropriate Alcan's holdings in bauxite industry

The government of Guinea this week threatened Aluminium Limited of Canada with expropriation of its bauxite operations in Guinea. Held through a subsidiary, Bauxites du Midi, Alcan's stake in Guinea's bauxite industry totals $23-million.

The trouble started late last month. Alcan officials went to Guinea to renegotiate the terms of the Boke project. Under the original agreement of 1958, **Alcan was to set up a bauxite mining and processing operation in Boke by July, 1964.** Total cost of the facility, including railroads to a nearby port and port improvement projects, was to run about $180-million.

However, since the agreement was signed, a world surplus of aluminum has developed, and the company was having a hard time getting money for the project. When Alcan asked for a new agreement, Guinea told the company to cease all operations in the country [BW Nov.11'61,p92]. **Now Guinea threatens to expropriate all holdings as compensation for what it considers to be a breach of contract.**

To date, Alcan has invested some $17-million in the Boke project. The remaining $6-million is invested in a bauxite mining operation on the Los Islands, just off the coast of Guinea near Conakry. Since 1955, Alcan has mined and exported some 400,000 tons a year of bauxite from the Los Islands installation. This operation will be expropriated, too.

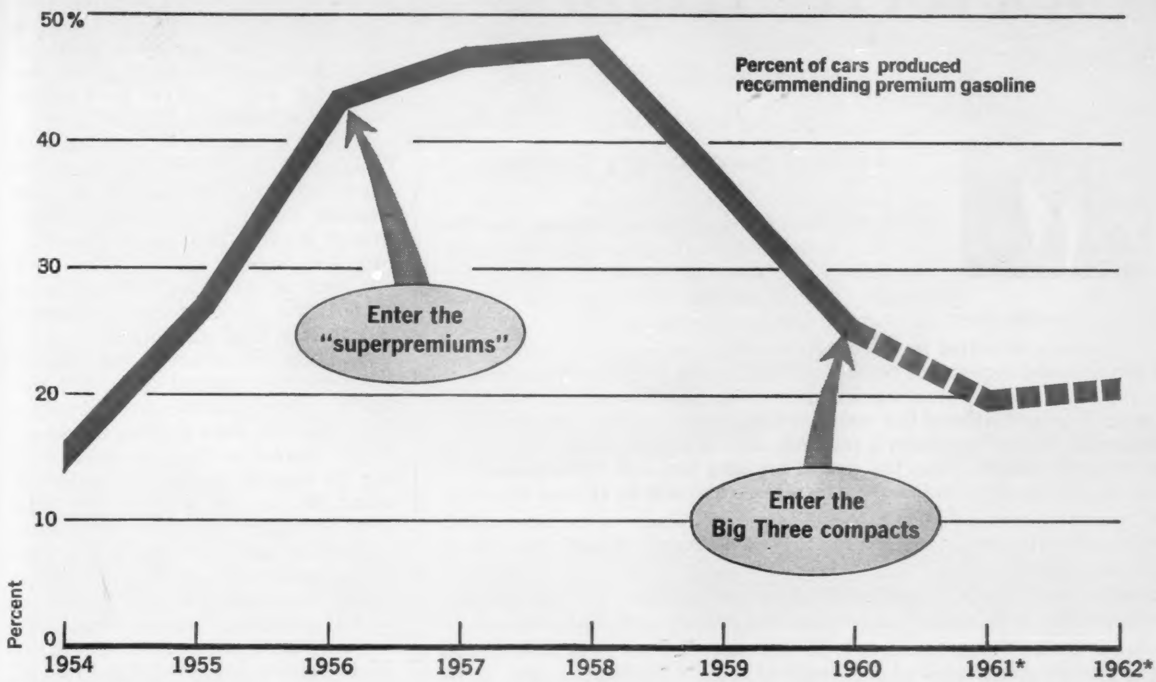
Alcan was given an ultimatum that unless work on the Boke project is started up again by Feb. 24, Guinea will expropriate. Alcan's only comment is a bland "we are studying the problem."

Business abroad briefs

Britain's gap in its balance of trade worsened slightly in October, for the third straight month. On a seasonally adjusted basis, imports into Britain rose to about $1.1-billion while exports amounted to $904.4-million. This leaves a trade gap of $156.8-million in October, compared to $137.2-million the previous month.

Marathon International Oil Co., subsidiary of the Ohio Oil Co., and Wintershall AG, a West German industrial company with petroleum refining operations, agreed this week to **build a 40,000-bbl.-a-day refinery at Mannheim, West Germany.** The facility will be owned jointly by the two companies—40% by Marathon and the remaining by Wintershall.

Detroit goes back to regular gas



Data: National Petroleum News *NPN forecast ©Business Week

MARKETING

New gasolines stir up a storm

Ventures by three major marketers into new low-octane grades are resulting in a flurry of price wars and forcing the industry to reexamine its traditional grading

Gasoline marketers, never a peaceable lot, have stirred up the industry's stormiest hassle in years. At stake is the question: Is it better to sell three grades than two grades? If it is, what three grades should you sell?

The storm has resulted in price wars, confusion—even over the reasons for it all—and, in all likelihood, an utterly bewildered motorist. At least one thing is clear: The changes in cars over the last few years have sharply reversed estimates of the type of gasoline they need (chart).

Uproar. The hassle broke into an uproar two weeks ago when Gulf Oil Corp. announced it was expanding sales of its new low-octane Gulftane to supplant its superpremium Gulf Crest. Though the company says Gulf Crest is on the way out, it is still hedging on whether it will market Gulftane nationwide.

Meanwhile, Humble Oil & Refining Co. announced a three-area test of a new middle grade—between its regular and premium grades—at the expense of its Golden superpremiums [BW Nov.18'61,p49]. And even earlier, Sun Oil Co. had roiled the market by adding two grades at the bottom of the octane scale, to its multipump installations in six markets.

While disagreeing sharply over the reasons for the shift to lower octanes, oil companies do cite two main factors. Some maintain that the fast foot-work of recent weeks grows out of changes in motorists' demands—and the demands of the cars they are driving. Others laugh up their sleeves at this reason. In today's obstreperously competitive market, they say, majors are trying different routes to meet the independents' low-price tactics.

Shift in taste. The chart illustrates point No. 1. Till past the mid-1950s, cars were getting bigger, hungrier for high-test gas. Then came the big switch. People clamored for cheaper, smaller transportation. The number of models requiring high-octane gasoline began to drop precipitously.

At the same time, the octane count of even the regular grades had been climbing steadily for years. As a result, not only compacts and inexpensive foreign cars, but even the less expensive regular models could get along very well on regular gasoline. And now the rate of octane climb has begun to slow up.

Actually, though, the ratio of premium gasoline sales to regular has held fairly steady; it still ac-

counts for roughly 30% of the total, and this ratio has changed little. One reason for this, explains Alfred Politz Research, Inc., market research firm who acts as consultant for Mobil Oil Co., is that motorists tend to buy a better grade, and to ignore the fine print recommendations in their new car manual.

Seeking a weapon. When Gulf first brought out Gulftane, the company apparently was looking for a price weapon to fight the independent, though it cited the changing car picture, too. Significantly, Gulftane got its start in the San Antonio area where the independents claimed 50% of the total market.

Sun, on the other hand, insists the new cars caused it to add the lower octane gasolines to its pumps. And Humble cites the same reason. It has shown no sign of downgrading its regular grade and insists it won't do so. It feels its program should not be equated with Gulf's.

Many oil marketers are bitter, particularly at Gulf, perhaps because Gulf's move was the most spectacular. The market reacted drastically wherever the sub-regular gasolines (also called sub-par regulars) moved in. Gulftane, often priced on the nose with private-brand prices, brought quick price-cutting from the private branders, and the market spiraled downward. Some companies say the ensuing chaos serves the majors right: They built up the independent in the first place by dumping their surplus. Sun has withdrawn its bottom grade in two areas.

In recent weeks, however, Gulf has played up the argument that the market no longer needs the fancy octanes. It estimates that an economy-grade gasoline will meet the needs of half the cars in use.

FTC's stance. Washington may be lending credence to this theme. Federal Trade Commission lawyers have an eagle eye on what the trade has dubbed the "combat grades" of gasoline. But they have not decided whether they will take Gulf to court for invading various markets with Gulftane at private-brand prices. As long as Gulf sells this as a "sub regular" grade, R. E. Wilson, chief of FTC's division of General Trade Restraints, feels Gulf is probably in the clear.

He has nagging doubts, though. Private branders get protection from FTC on their "historic" 2¢-a-gal. price differential on the grounds that they don't have the "public acceptance" of the majors. Even though the private brand may equal the quality of the name brands, as long as the public thinks there's a quality difference, the private brand

lacks the essential acceptance, Wilson reasons. But he wonders whether Gulf can dissociate Gulftane from its own image to the point that it qualifies for this same protection.

Why the switch? Meanwhile, the competition has plenty of other theories on why Humble and Gulf are shifting to a third grade at a lower price level. A prime one: The superpremiums may not have got as big a market as the three-grade marketers hoped. Oilgram News Service, a McGraw-Hill publication, has estimated that the superpremiums get around 2% of the total market instead of the 5% that had been anticipated.

In taking Gulf Crest off the market, Gulf seems to be admitting to some disappointment. Humble insists, however, that—at least in the Esso region where Golden started—it is "quite happy" with Golden.

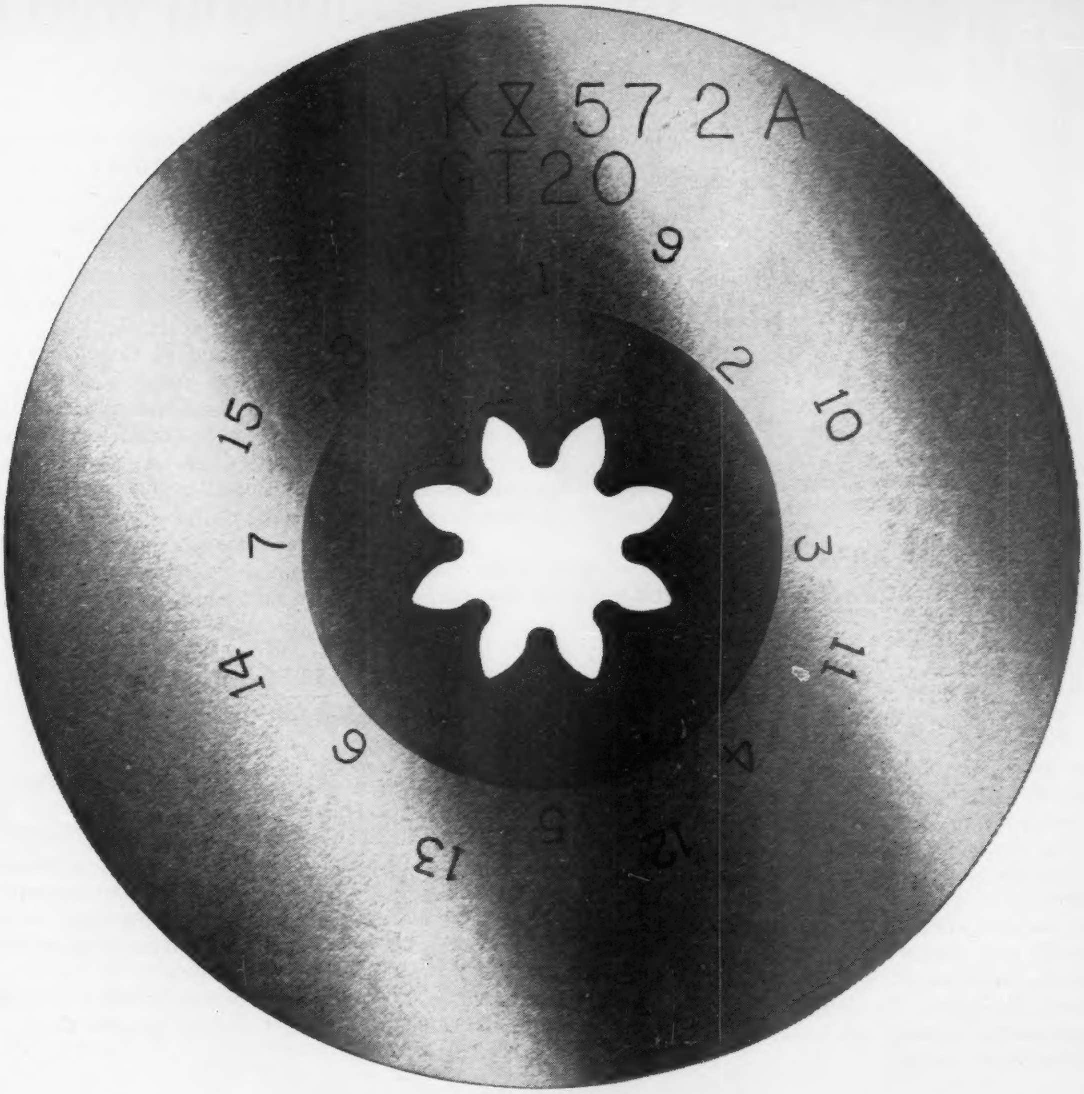
Admittedly, refining costs of the really high octane (100 and up) gasolines come high. Below 100, the costs of moving up an octane are negligible. Then, too, competition adds, you have to consider all those third-grade pumps—each representing an investment of maybe $3,000 to $5,000. If you can't sell super gas at that pump, you still want to sell something.

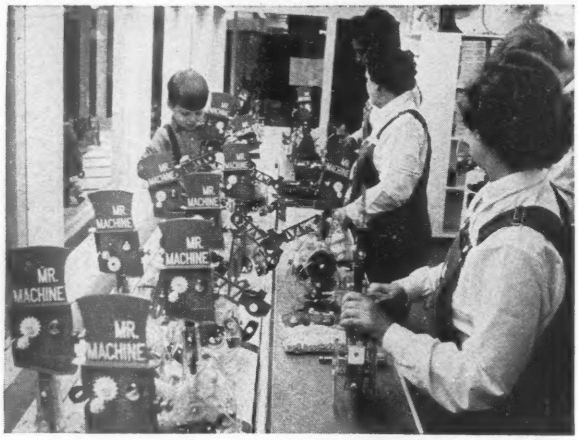
Marking time. Most two-grade marketers see little reason to change to a third grade at this point. Some think Gulf did gain considerable new volume when it brought out Gulftane. But the motorist is more likely to switch from grade to grade of the same brand than to switch brands completely, says Politz.

The economics of converting customers from a higher to a lower grade will be a question. Profits often come so hard in gasoline that the big thing is to keep motorists coming to your station for servicing and other products. Of course, companies selling the new grades hope that motorists will trade up, not down, with more profits all around.

But it's a safe bet that every company in the country is watching for the score. Mobil Oil Co. has joined forces with Gulf and Humble to the extent of de-emphasizing octane. In September, Mobil began a blitz advertising campaign stressing "Megatanes," or some 21 components that make up a gasoline, of which octane is only one.

American Petrofina, still a small marketer by major standards, meanwhile has its own special device. In a series of spoofing ads, Petrofina laughs at all fancy claims, claims that nobody but nobody has the additive Petrofina offers: pink air for your tires. **End**





Small factory will turn out toys while department store customers watch

New York's Gimbel Bros., Inc., last week set up a small-scale toy factory in its toy department.

In cooperation with Ideal Toy Corp., New York, Gimbels introduced twin assembly lines, showing the preparation, assembly, and packaging for the "Mr. Machine" toy (picture) and the "Miss Ideal" doll—both products of Ideal. The toys and dolls will be manufactured in the factory until Christmas, and the children may buy the same toys they watched being made.

"Because of the popularity of 'Mr. Machine,' we felt that children would enjoy seeing how he is put together," said Julius Schutzman, vice-president of Gimbels. Benjamin F. Michtom, Ideal's chairman, explained, "We receive hundreds of requests from various organizations to tour our factory during the hectic pre-Christmas season."

Fed's latest survey of consumer plans shows little sign of spending increase

The latest quarterly survey of consumer buying intentions by the Federal Reserve Board lends little support to the hope that consumer spending is going to increase and thus bring about an economic boom.

Consumers interviewed in October report about the same number of plans to buy autos as a year earlier. The 1961 model year is ending at something close to a 6-million-car year—not spectacular, but better than had been expected. The Fed notes, however, an October increase in the number who said they were undecided. Experience has shown that many of these are likely to buy cars.

In other categories, six-month plans to buy major household appliances remained below year-earlier levels, and the number planning to buy houses in the next 12 months remained at about the same level as a year ago. But that is the best year-to-year score so far. The three preceding surveys reported house-buying plans below the year-earlier level.

Esso setting up auto repair center for dealers in Buffalo area

Along with the battle of the gasoline grades (page 83), oil marketers are seeking other ways to bring motorists —and profits—to their dealers' stations.

Latest example: Esso Standard Region of Humble Oil & Refining Co. is setting up a consolidated repair center for 84 Esso dealers in the Buffalo area. **Motorists cannot drive into this center themselves for repairs. But the individual dealers can take orders**—for work they aren't equipped to handle. The center, run by the company, will charge the dealers wholesale prices.

Esso chose Buffalo because price wars have ravaged the market in that area. Some dealers who formerly employed mechanics have had to let them go.

Food Fair sales tapes to serve as part payment for Philco appliances

Philco Corp. and Food Fair Stores, Inc., Philadelphia supermarket chain, are planning to install Philco's "instant dividend" plan in Food Fair's stores.

Under the plan, a customer buying an appliance from a Philco dealer on an installment basis can apply 5½% of his monthly Food Fair purchases against the monthly installments on his appliance. All he needs to do is save his Food Fair cash register tapes.

Philco is also reportedly negotiating with Stop & Shop, Inc., of Boston, to install the plan there.

Marketing briefs

Judson S. Sayre, chairman of Norge Div. of Borg-Warner Corp., last week predicted that **50,000 automatic do-it-yourself dry cleaning machines will be sold in 1962.** He estimates that revenue from coin-operated dry cleaning will top $300-million annually.

The Federal Trade Commission last week entered a consent order **forbidding Alcoa to discriminate in paying advertising allowances** to competing distributors of its Alcoa Wrap and other aluminum foil products.

In another action last week, FTC ruled that the restrictive agreements that **Snap-On Tools Corp.** requires its dealers to enter into are illegal. The commission found that the dealers' contracts unlawfully "established resale prices for Snap-On products; restricted sales territories and the people to whom the dealers could sell; and provided that dealers, on termination of their agreements, could not engage in a similar business within the same state for a period of one year."

In new products

BW

Recording device can store 100 printed pages on same film

A method of information storage developed by Space-General Corp., Glendale, Calif., a subsidiary of Aerojet-General Corp., uses a pattern of tiny interlacing dots on a specially prepared photographic film, and a sieve-like mask to record up to 100 full-size printed pages—one on top of the other—all on the same sheet of film.

The fine grain film has a great number of pinpoint-size dots—.001 in. diam.—spaced .01 in. apart, which record the image. The mask is an opaque-silver coated glass plate with approximately 100 holes per linear inch that correspond in size and spacing to the dots on the film.

A page is recorded on film by light passing through holes in the mask —exposing a group of dots. To record the next page, the mask is shifted a few thousandths of an inch, exposing a different group of dots. Since the dot structure is so small, images can overlap, but the dots from one image do not overlap those forming other images.

Reading of a stored page is done through holes in the mask, which select dots from one page image at a time, blocking out all others.

The company looks to use of the device in library services, advertising displays, and as a compact visual display for salesmen. Space-General has built prototype models and its patent is available for licensing and manufacture by other companies.

Sonic pile driver uses vibrations, not hammer blows, to sink foundations

Sonic waves are being used instead of steam hammers to sink foundation piles that support buildings. The sound waves, merely vibrations within the hearing or sonic range of frequencies, are produced by a device called the sonic pile driver, built by the C. L. Guild Construction Co., East Providence, R. I. **The company claims to have driven a pile 12¾ in. in diameter 57 ft. into the ground in 1.62 min.—one-twentieth the time required by steam hammer methods.**

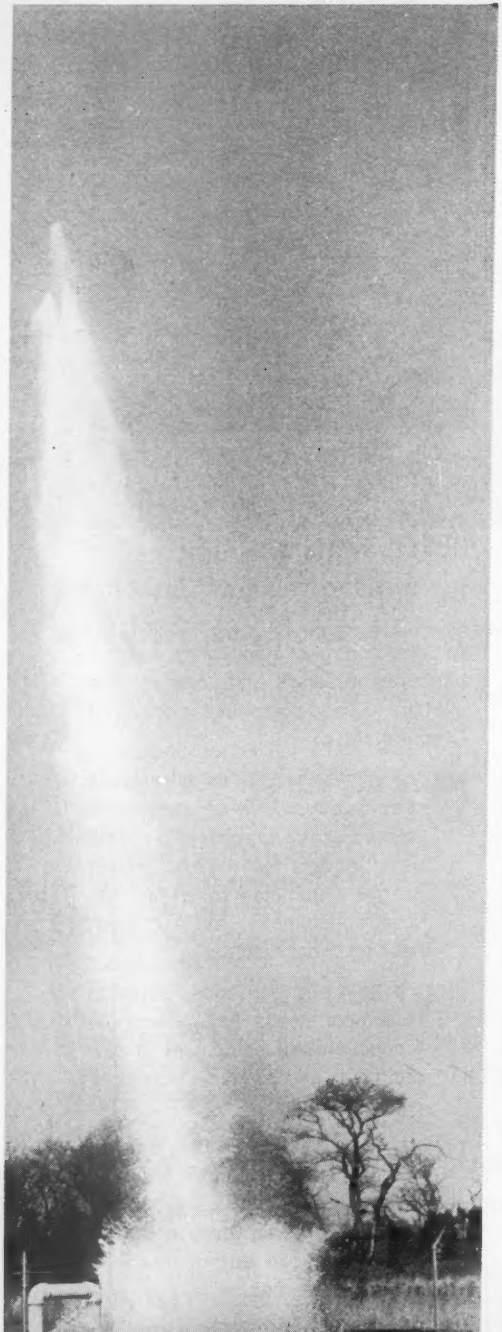
The sonic driver, fastened to the top of the pile, causes it to vibrate at its natural frequency. The vibrations, exceeding 100 cycles per sec., force the pile to expand and contract in length, rapidly, but by small amounts. **The periodic expansion pushes aside the soil at its tip,** leaving room for the pile to sink into the ground because of its weight and the weight of the driver on top of it. In addition, as the pile's length increases, its cross-sectional area is reduced minutely. The result is less frictional resistance of the soil due to rubbing.

Guild's sonic driver uses a 500-hp. V-8 engine to rotate eccentric weights, which impart vibrations to the pile. So far only a prototype, it could bring important changes to the building industry.

New products briefs

A new computer, the TRW-530, is being marketed by Thompson Ramo Wooldridge, Inc. It can perform 10,000 calculations a second and is designed for industrial process control, data processing, and scientific computations. Rental is about $4,000 a month.

A portable battery-powered slide projector, for use largely by salesmen, has been announced by McClure Projectors, Inc., Evanston, Illinois. It uses a sealed nickel cadmium battery to supply 25 watts for one hour's operation between charges. It weighs 8 lb. Price: $150.



Explosive forming takes place in open pit filled with water. Shock waves from explosion slam the metal into the die.

Blasting metals into fancy shapes

The aircraft and missile industry more and more is using extra-high energy to fabricate short-run parts that are too expensive or tricky to form by conventional methods

In 1897, a British metallurgist startled and somewhat amused his contemporaries with a novel scheme for shaping metals. He suggested using high explosives to blast metals into shape—on the order of what youngsters do with tin cans and Fourth of July firecrackers.

By 19th Century standards, the idea seemed crude and remote. But today this process and three variations (drawings and picture) have suddenly become one of the hottest things in the aircraft and missile industry. They won't ever replace the punch press or drop hammer for regular production runs, but for shaping parts too tricky or too expensive to form by conventional methods, they're proving almost indispensable.

The four techniques—explosive, spark, magnetic, and gas forming—are called high energy rate forming (HERF). Three or four years ago, only a handful of companies were tinkering with them; now, over 120 companies are either testing them in the lab or have HERF processes on a production basis, cranking out such special order items as giant missile bulkheads, rocket nozzles, fuel tanks, and other smaller parts.

For short-run items that can't benefit from mass production, HERF can usually do the job faster and cheaper than regular presses or drop hammers, because of the extremely high velocity energy—called a "mule kick" by one expert—that HERF delivers to a piece of metal. The forming rate with explosives runs between 250 ft. to 500 ft. a second compared with a drop hammer rate of about 5 ft. a second. At these tremendous rates of impact, metals can be deformed much more with a single blow because the explosion or jolt hits them so fast they literally have no time to break.

Advantages. The result, using a high energy rate forming process, is that:

- Costly and time-consuming annealing operations—necessary with certain metals that work-harden when hammered or pressed—are either reduced or sometimes cut out altogether.
- Parts can be made to much closer tolerances and with almost no finishing work, since there is little springback of the part.
- Capital investment is cut sharply.
- Cycle and setup time, as a rule, is much less.
- Many high temperature, high-strength alloys that are almost unworkable with conventional methods can be formed easily into fancy contours.
- Cones, corrugations, or cylinders can be shaped in one operation instead of several. One aircraft company, for instance, had to spot-weld over 100 parts when it fabricated a jet shroud assembly mechanically; the same piece was later formed as a single unit by explosives.

Explosive forming. Of the four HERF techniques, the use of explosives is the simplest, cheapest, and probably the most widely used. Basically, all a company needs is a big, open pit, a die half, some explosives (usually dynamite or Primacord), and a crane hefty enough to hoist the die in and out of the pit.

First, the die half is lowered into the pit, which has been filled up with water, a strip of sheet metal is bolted over the mouth of the die, and a vacuum is set up in the die area. To shape the metal, an explosive charge the size of a golf ball—suspended just above the metal work piece—is blasted, sending tremendous shock waves through the water that slam the metal into the die. Each charge, weighing less than 1 lb. and costing under 50¢, can produce pressures of 5-million or 6-million psi., which puts it in a league with the biggest presses in operation. The only real limit on the size of parts that can be formed this

way is the size of the pit, and size of the dies that can be handled.

Big savings. The cost savings—particularly on large parts over 3-ft. or 4-ft. in diam.—are substantial. When it was making nose cones for the DC-8 jet transport, Ryan Aeronautical Co. blasted them out as single parts at $15 each; the conventional method required five parts per nose cone at a total cost of $131. One executive at General Dynamics Corp.'s Astronautics Div. claims its new explosive forming facility has cut forming time on parts by 80%. In tooling costs alone, since no press is needed and only one die-half is used, Astronautics estimates savings of 65% to 95%.

The one drawback to explosive forming is noise. Because of the thundering blasts, forming usually must be shifted to the country where the noise won't rock the neighbors. This is not always practical.

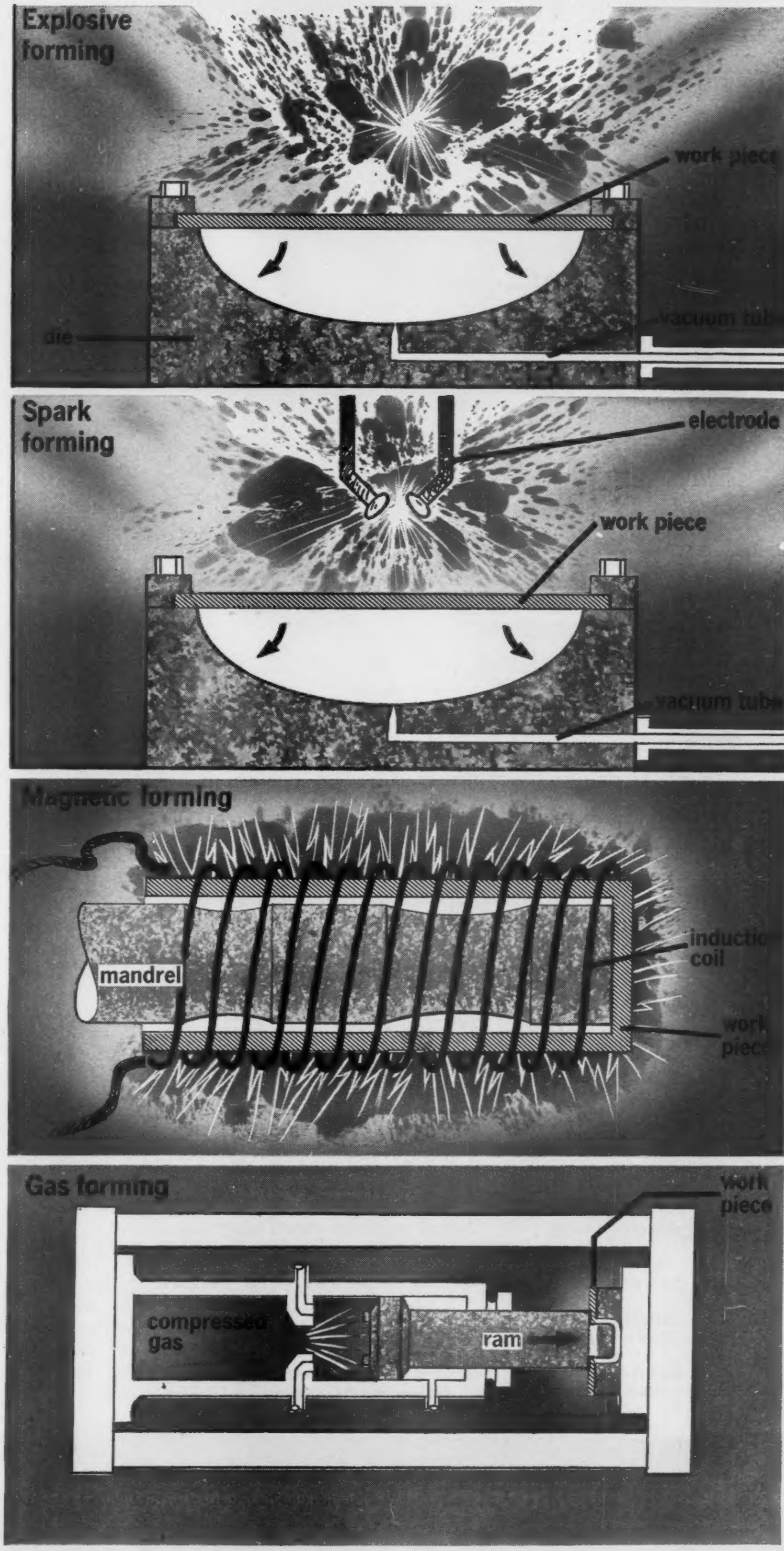
Spark forming. The use of a spark or electrical explosion instead of a chemical explosion gets around the noise problem. In spark forming—where parts up to about 1-ft. or 2-ft. in diam. are shaped, depending on the size of the forming chamber—the impact or explosion is caused by jumping a spark across a gap between two electrodes or exploding a tiny filament or bridge wire connecting the electrodes. Water is usually the conducting medium.

This setup, though, is more expensive than explosive forming, since you need a bank of capacitors for storing up terrific amounts of power. To shape even small domes of 5-in. or 10-in. in diam., the energy requirement may run to 35,000 or 40,000 joules—that is, if the metal is to be formed in one shot instead of several. The cost for this may run 30¢ to 50¢ per joule of capacity. However, there's no hazardous handling of explosives, and forming can be done in the plant without worrying about the neighbors' nerves.

Rohr Aircraft Corp., which makes tubular and conical aircraft parts by electrical spark forming, says cycle and setup times and investment costs are reduced to about one-third of conventional forming; actual production costs on small parts are about one-fifth of normal for "impossible" or difficult jobs.

Magnetic forming. The use of a magnetic field to bend metals—usually up to 12-in. in diam.—is still mostly experimental. In this process, an insulated induction coil is either wrapped around the work piece or within it, depending on whether the metal is to be squeezed inward or bulged outward. An electrical charge is drawn from a bank of capacitors,

Giving metals a mule kick



and opposing currents in the coil and metal produce a strong magnetic force that repels and deforms the metal away from the coil. Right now, there are only a few companies exploring the field—notably, Republic Aviation Corp., General Dynamics, and Chrysler Corp. "One of the beauties of magnetic forming," says Adolph Kastelowitz, Republic's director of manufacturing research, "is that it is a simple, dry process. There's no water or other shock transfer medium needed. This simplifies the loading and unloading of the work piece."

Late this week, General Dynamics came out with the first commercial piece of magnetic forming equipment—Magneform. The basic machine—completely self-contained in a 4-ft., by 3-ft., by 2-ft. area—will lease for $6,000 a year, including maintenance, and produce pressures of over 50,000 psi.

Gas forming. The use of gas to shape metals takes many forms. In this process, compressed gas is used either directly to bend a metal or it drives a piston or ram into a work piece to form it. General Dynamics pioneered the field commercially in 1958 with its Dynapak, a ram-operated production machine that forges, extrudes, and compacts metals. Standard models cost from $35,000 or so on up to $60,000—though custom-designed machines go much higher. General Dynamics is now bidding on a model in the area of $1½-million. General Dynamics claims one aircraft part previously machined from a 4-lb. forged billet down to a 10-oz. finished part is now extruded by Dynapak at a machining cost saving of $6,000.

In the next few months, Dynapak will run up against its first real competition in gas forming—and from one of its former engineers who holds most of the development patents on Dynapak. The engineer, Jack B. Ottestad, left Convair in 1959. He organized his own company, Hermes Corp., developed an extrusion press, and was in business—though on a limited scale. A year ago, Clearing Div. of U. S. Industries, Inc., took an exclusive sales option on the Hermes machine, and last month not only picked up the option but took Ottestad and his whole engineering team as well.

Ottestad became Clearing's vice-president for research and development with the chief job of working with Clearing's senior vice-president, Theodore Singelis, to improve Hermes, get it through tests, and into production. The new Hermes machine is going through shakedown right now, and Ottestad hopes

to take the wraps off next month. It will sell for around $70,000. The key difference between the Dynapak and Clearing-Hermes machine is that Dynapak has just one moving ram; the Clearing-Hermes press uses two moving rams that meet, at equal velocity, to take some of the load off the frame and transfer it to the work piece.

Other approaches. Other experimental work with gases is under way at Boeing Co. in Seattle, where the gas pressure itself—without a ram or piston—forms the metal.

Another direct gas approach—this one developed by the Winchester-Western Div. of Olin Mathieson Chemical Corp.—centers around small, blank cartridges that release a quick burst of powder gas for bending either sheet or tube. Winchester-Western claims sheet metal formed conventionally—with tooling that cost $100,000—could be formed by its "Super-Speed" technique with a tooling cost of only $10,000 or so.

Which process? Though spark and explosive forming are getting the biggest play right now, it's really too early to say which of the four have the brightest future. Some in the field feel spark forming may eventually replace explosives. "There are two big reasons," says Le Roy Jaret, who's in charge of manufacturing development work for Grumman Aircraft Engineering Corp. "You don't have to take spark forming into the next county to use it. There's also a good chance it can be mechanized, where explosives never could."

Spark forming will get a boost, too, as bigger and bigger chambers are built. The Methods Research & Development Branch of National Aeronautics & Space Administration's Marshall Space Flight Center already is building a blast chamber 7-ft. wide and 8-ft. deep for spark and magnetic testing. It will have a 240,000-joule capacitor bank. Right now, Marshall Flight Center is making its tests in an 18-in. diam. blast chamber.

Presses, hammers. All this doesn't mean presses or drop hammers will be obsoleted for special, short-run parts. Where they can, aircraft and missile makers are sticking close to their old methods. "We use explosive forming widely and were one of the first companies in the field three years ago," says G. C. Throner, manager of the Ordnance Div. of Aerojet-General Corp., a subsidiary of General Tire & Rubber Co. "The secret, though, is not to use explosives where your conventional methods will work instead. We still rely heavily on presses and will continue to wherever we can." **End**

Meteorologists study lab model of infrared spectrometer for measuring temperature that future Nimbus satellites will use

RESEARCH

Preview of world weather forecasts

World's weather men learn how Tiros satellites now in sky can aid their forecasts, and U. S. plans for a globe-circling weather satellite system available to all

The peaceful payoff of space exploration reached a highly practical stage this week as some 40 meteorologists from around the world completed a 10-day International Meteorological Satellite Workshop in Washington (picture). The workshop was sponsored jointly by the National Aeronautics & Space Administration and the U. S. Weather Bureau.

The visiting meteorologists got a detailed view of exactly how U. S. weather satellites are currently operating, how future systems will work, and just how each country can expect to benefit from the information they provide. The enthusiasm of the scientists left no doubt as to their hopes for the program.

Moving ahead. Working meteorologists came to the conference, at the expense of their own governments, from New Zealand, Argentina, Brazil, Israel, Germany, Denmark, Pakistan, Nigeria, and other countries around the globe. Soviet delegates, however, did not attend, although they had accepted the conference invitation and obtained visas.

Many of these countries are already getting limited weather data, through international meteorological and facsimile networks, from the two Tiros satellites now in orbit. Admittedly, this information comes primarily on an experimental basis, since the U. S. is still perfecting its weather satellite system. But it will improve within the next year or so when the more advanced Nimbus satellites start to go into orbit.

The eventual U. S. goal, the international delegates were told, is to have a satellite system in operation that any country can tap for immediate weather forecasting data.

Before the 10-day conference closed, the delegates saw the plans for future meteorological satellites. They were taken on a tour of NASA and Weather Bureau facilities, and then sat down to practical work on meteorological charts and forecasts, using actual data received from satellites.

Benefits. The importance of the tangible proof offered of the benefits of weather-satellite information was evident. The visiting weather men questioned U. S. officials, then huddled together in corridors, eagerly laying plans to realign their

Magnetic data plotter to speed use of satellite data can help visiting weather men when they get own receiving units.

own domestic weather forecasting programs so to to get maximum benefits from future satellite observations.

The Iranian forecaster, Maj. Jalal Tabatabai Bakil, called the program the "magic evolution for meteorology." For his country, the satellites offer hope in solving an age-old problem: how to provide warning of violent and destructive sandstorms.

Dr. C. J. Van der Ham, senior forecaster for the Netherlands Meteorological Institute, was anxious to get a read-out station in Europe as soon as possible, so weather data can be obtained more rapidly direct from the satellites, instead of being relayed from the U. S.

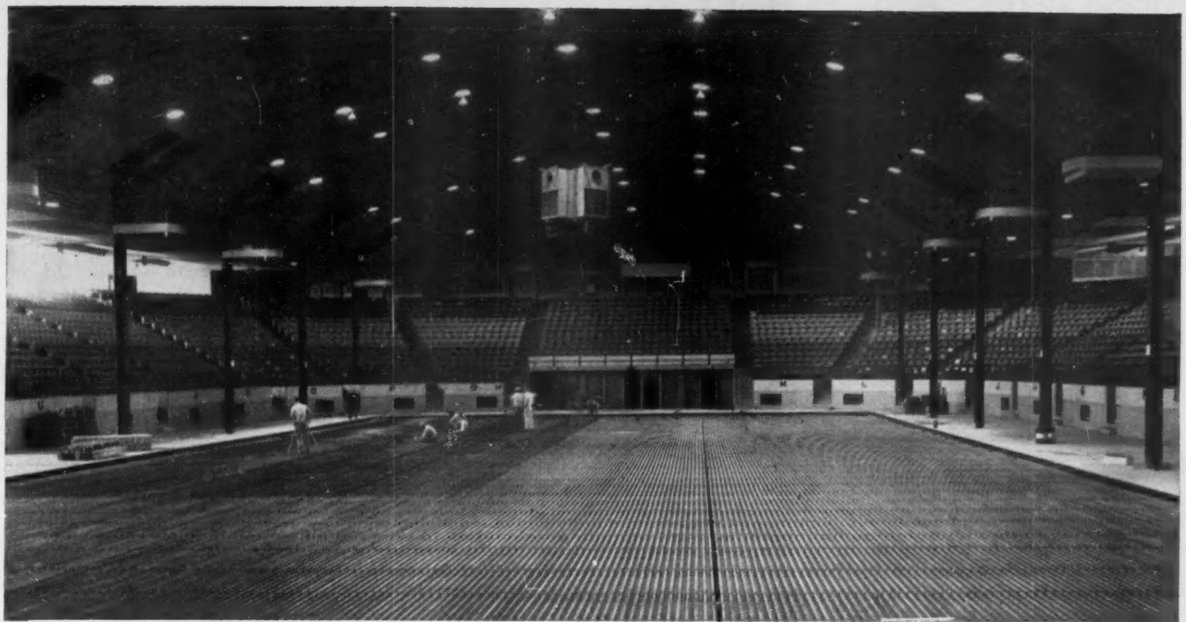
Pakistan's Muhamad Rahmatullah was eager for quick reports on storms that brew over the Indian Ocean and trouble his country.

Other delegates sought ways to speed up the communication of data now coming from satellites, through more facsimile transmissions, reports in plain language instead of coded messages, and other methods.

On the way. Future plans for an international satellite meteorological system drew even greater enthusiasm. U. S. officials painstakingly made the point that the system will have no exclusive U. S. labels, but will be for all nations to take part in and benefit from.

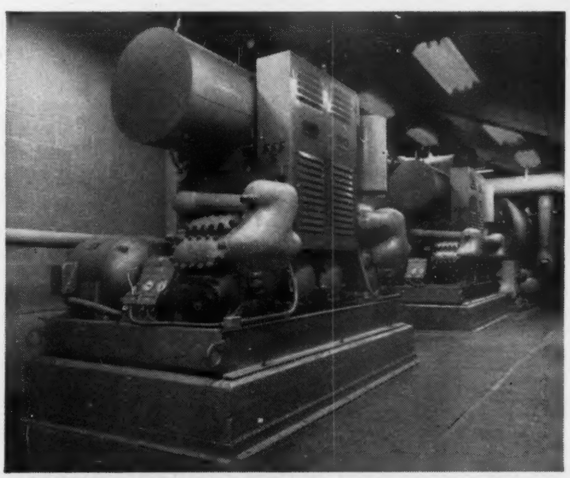
Four more Tiros satellites are still to be launched, beginning in January and continuing at roughly four-month intervals. (The Tiros series numbers seven in all, including the two still up and Tiros I, which served until June, 1960).

In the planning stage are satellites



The grid system for the Ak-Sar-Ben Coliseum Skating and Curling Rink, Omaha, Nebraska. Ak-Sar-Ben is a famous non-profit organization devoted to the improvement of the Midwest agricultural and livestock industries.

NOBODY CAN DODGE RESPONSIBILITY WHEN THE REFRIGERATION EQUIPMENT CARRIES THE B&G INSIGNIA



Machine room showing B&G 120 ton dual brine chillers

B&G refrigeration and air conditioning "package" units are not an assembly of purchased parts. All major parts are *designed, built and guaranteed* by Bell & Gossett Company . . . *one* responsibility for satisfactory operation.

The ice-making units illustrated here are installed in the Ak-Sar-Ben Coliseum Skating and Curling Rink, Omaha, Nebraska. Each unit has two compressors, two motors, two condensers and a dual circuit evaporator. This dual arrangement permits alternate operation of the compressors and also provides standby protection in case of emergencies.

The many exclusive features designed into B&G package liquid coolers materially reduce space requirements—improve operating economy—add to life of the equipment. B&G also makes a complete line of component parts—evaporators, condensers and centrifugal pumps—with many commonly used sizes available for immediate shipment from factory stock.

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so "sophisticated" that they themselves will analyze much of the data they collect before transmitting it to ground stations. This will greatly reduce the strain on communications and speed up use of the satellites' weather data.

Advanced Nimbus satellites now in development will have TV cameras that can provide cloud cover data at night. Scientists are also developing radar sets to give information on precipitation, sensors to detect and identify thunderstorms.

First of the polar-orbiting Nimbus satellites is due to be launched from the West Coast Pacific missile range in about a year, delegates were told. The 10-ft. high Nimbus is being designed in a modular concept, so improved equipment can be fitted into it without the need of building a whole new satellite.

Skygoing atoms. The U. S. also has an imaginative plan for eventual use of nuclear power from a SNAP-3 type of reactor—a lightweight, miniature nuclear reactor [**BW** Jan.30'60, p102]—in future Nimbus satellites. This is the first step toward a system in which each country can call on a satellite to transmit data while it is passing over that area. At present, the limited battery power available makes unlimited transmission impossible without cutting the satellite's life.

Scientists are already developing a telemetry system that does not, as now, automatically erase tapes once a transmission is made.

NASA officials decline to predict when the fully developed satellite system may be in service. The weather men, however, see its potential value as tremendous.

Hoverers. Another program, Project Aeros, aims at a series of "stationary" satellites—each hovering over one point on earth—to provide continuous monitoring of weather conditions. These will require high precision in launching and control to keep them moving in the same direction as the earth and at just the same speed.

If they could be positioned along the equator, they would provide 24-hour coverage over a large belt of the earth. Together with polar-orbiting Nimbus satellites, they could make available worldwide weather reports on a continuous basis.

But U. S. research is also looking even beyond the Nimbus and Aeros systems, the international delegates were told. Even after a weather satellite system is in operation, at least one additional satellite will be launched for research and development each year. **End**

International outlook BW

November 25, 1961

New trade law: the push comes next year

Pres. Kennedy's top advisers are virtually agreed that the Administration should go all out next year to push a radical new trade law through Congress.

If Kennedy gives his approval—and that's now expected—here is what he will be asking from Congress in January:

- **Broad Presidential authority to bargain with the expanding European Common Market to reduce tariffs,** on both sides of the Atlantic, down to zero for almost all manufactured goods.
- **Complete discretion to decide what tariff categories to include in the bargaining.** Thus, the President would be free to exclude some industries temporarily from the tariff cutting (textiles, for example), or negotiate slower timetables for some industries than for others.

Timetable for reducing tariffs

The pace of our tariff reductions would be set by the tariff timetable of the European Common Market. By 1969, according to Common Market plans, all internal tariffs are to be eliminated and a common external tariff will take their place.

The idea is for the U.S. in 1963 or 1964 to start bargaining down this external tariff. By 1969, there would be no U.S. tariffs on most European industrial products and no European tariffs on most of our finished goods. Moreover, Kennedy's advisers want any tariff concessions negotiated with Europe to be extended to the rest of the free world.

Commodity cuts

According to present thinking, the President also would ask Congress to give him the authority to:

- **Remove all tariffs on the tropical products of underdeveloped countries** without seeking reciprocal concessions on their part. Europe would be pressed to follow suit.
- **Reduce U.S. tariffs by 50% on other types of goods**—mainly raw materials—and enter into some commodity agreements.

In the case of temperate agriculture products such as grain and meat, **separate arrangements would be made.**

No peril points

Such sweeping tariff-cutting authority would require a brand new trade law, not just modification of the Trade Agreements Act.

The "peril point" in the present law would be dropped from the new legislation, since it would make across-the-board bargaining impossible. The peril point empowers the Tariff Commission to set floors below which tariffs may not be cut.

The law would include the present escape clause under which domestic industries injured or threatened with injury may seek protection from imports. But the clause would be drastically modified. Industries or firms that could prove injury to the Tariff Commission would become eligible either for temporary tariff relief or government assistance—at the discretion of the President.

Support for the new policy came this week from the Committee for a National Trade Policy, which has begun organizing for next year's Congressional fight. After meeting with the President on Monday, the directors

of CNTP issued a resolution that came close to endorsing the kind of legislation Kennedy's advisers are shooting for.

Adenauer takes softer stand on Berlin talks

Kennedy's talks with Chancellor Adenauer seem to have cleared the way for new exploratory talks with the Soviets over Berlin.

Adenauer took a more flexible line than Washington had expected. He agreed that East-West negotiations were desirable, now that Premier Khrushchev has withdrawn his Berlin ultimatum and indicated he might negotiate a new status for Berlin with the Western Allies. Originally, Khrushchev said we would have to deal with the East Germans.

Adenauer envisages three "concentric circles" of negotiations:

- A small one limited to the status of Berlin and Western rights there.
- A wider one involving some limited interim accommodations between the two Germanys.
- A still broader one including an all-German peace treaty coupled with a measure of general disarmament.

Moscow puts new pressure on Finland

Washington is worried over mounting Soviet pressure on Finland to make new defense arrangements that would compromise Helsinki's neutrality.

U. S. officials don't believe Khrushchev really is after bases in Finland— or that he plans to force the inclusion of Communists in the Finnish government as some observers suggest. To Washington, the Soviet moves look like blackmail aimed at weakening Norwegian and Danish support for NATO.

Washington is awaiting the outcome of this week's talks between Finnish Pres. Kekkonen and Khrushchev. Then, early next month Foreign Minister Lange of Norway is due to go to Moscow. The hope is that these two men can persuade Khrushchev to let up on Finland.

Agreement on OECD's goal

The U.S. has managed to get the 20-nation Organization for Economic Cooperation & Development to agree on a collective growth target for 1970. **The goal is a 50% increase in combined gross national product** for the ten years beginning in 1960 (page 148).

Originally, the U.S. proposed that this goal should be met in nine years, with 1961 the starting point. But the British felt this was far too ambitious, and only agreed to the revised plan under U.S. pressure.

As the OECD ministerial meeting closed in Paris last week, **a top British official said privately:** "If the Americans hadn't leaked their proposal a week in advance, we wouldn't have gone along at all."

U. S. carries big stick—and Trujillos depart

U.S. prestige in Latin America moved up a notch this week as a result of the timely appearance of U.S. warships off the Dominican Republic. The U.S. move was credited with preventing civil war and a possible dictatorship by the late Rafael Trujillo's family.

Usually, an appearance of U. S. force in Latin America arouses cries of "intervention." This time, there were no accusations, except from Cuba.

As a followup, the Organization of American States (OAS) at midweek sent an investigating mission, as suggested by Mexico, to see whether the Trujillo family had left for good. It will also evaluate the chances of democratic government evolving in the Dominican Republic.

Sag in raw materials has traders worried

Commodity prices, usually a good indicator of what's ahead, don't portend as much zip in general business as traders like. They hope it's just a brief pause

Weakness in prices of industrial raw materials, sampled in the charts at right, is casting doubt on the vigor of the business upturn. It comes at a time when world tensions, increased defense spending, and the high level of business should be supporting these commodity prices, perhaps pushing them up.

Commodity prices usually are regarded as a pretty good indicator of what's ahead of business. An uptrend that started last December was one of the first signs of the general business recovery [BW Feb.25 '61,p115]. Now commodity traders are disturbed because price weaknesses here and there suggest that the early fall lull in business might stretch out into a disappointing winter.

Ominous signs. There are several ominous signs right now. Lead, which sells at 10¢ a lb. in the U.S., is under 8¢ on the London market—its lowest point in 15 years. Zinc prices in London have touched a three-year low.

The price of aluminum has been cut, and steel scrap is back almost to its low point of the year. Natural rubber, which might be expected to show price strength because so much of it comes from troubled Southeast Asia, instead is slipping on the market. (Apparently, the rapid buildup of synthetic production, particularly in Europe, has eased fears of shortage.)

The Bureau of Labor Statistics' index of spot prices for metals has been sliding for more than two months. It is now back where it was last spring.

The over-all index for industrial raw materials, widely regarded as a good barometer of inventory policy, has slipped back to its June level. This suggests that businessmen are in no rush to build inventories, since lower prices mean that companies are not buying aggressively.

Indeed, some who restocked heavily in the flush of optimism last spring are still working down their accumulated stocks of materials. And they say they'll be more hesitant about restocking if and when business picks up markedly.

Still confident. Still, a great many commodity traders are reasonably optimistic, going so far as to hail the current softness in prices as a safeguard against excesses when demand begins to pyramid. They see it as another influence for balanced growth in the economy.

Commodity men can also make a case for a moderate upturn in prices soon. A lot depends on economic vigor overseas, they say. Foreign economic troubles, particularly in Great Britain and Japan, seem to have temporarily outweighed U.S. business in effect on commodities.

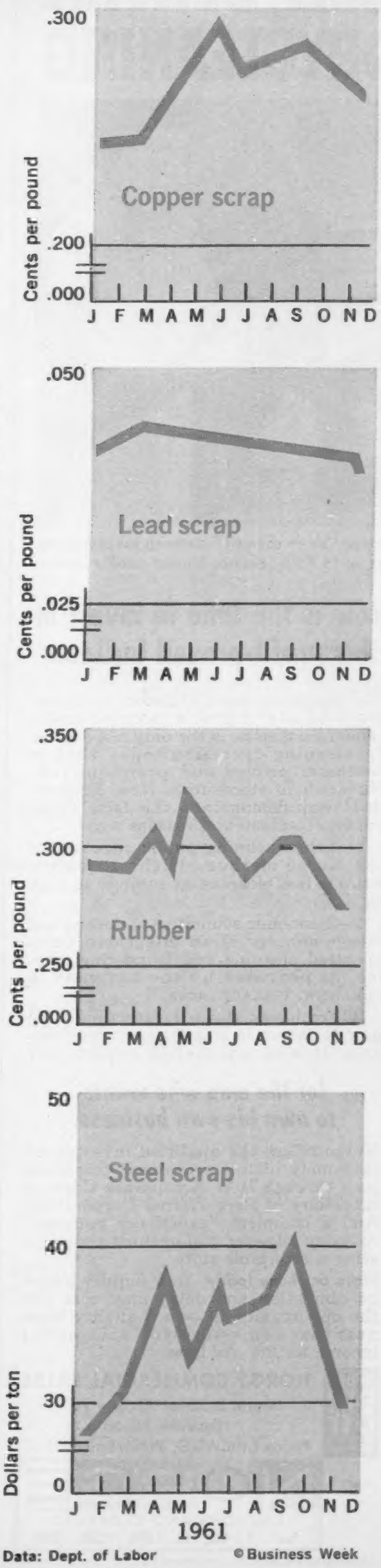
For example, pressure has been put on copper, zinc, and lead by British government action to reduce imports and by inventory-cutting by British industry. The immediate effect is on the London Metal Exchange, which is still the most sensitive and volatile metal market in the world, and price movements there are reflected in U.S. prices.

Similarly, the decline in steel scrap prices is more a reflection of Japan's withdrawal from the market than of domestic demand. In late spring, the Japanese were heavy buyers, and steel scrap rose to $38 a ton, later to $41. Now they have left the market, and the price has fallen from $41 to $30 in the past two months.

At the same time, military spending should start having some effect on prices by mid-1962, if the Administration speeds up contract-letting. Commodity men say that businessmen generally expected too much, too soon, from Administration talk of increased military expenditures, that contracts have not been let at anywhere near the rapidity anticipated.

Under pressures. As always, com-

Prices tumble...



Data: Dept. of Labor ©Business Week

There's been no evidence of the need to guard against future price boosts . . .

Story on page 115

modity prices are governed by many other factors besides the classic supply and demand: U. S. support programs on farm products, international trade pacts to shore up prices, reports (often exaggerated) of commodity dumping by the Russians, and uncertainties over business conditions here and abroad.

Sugar is an example of the conflict of pressures on prices. The U. S. Agriculture Dept. lowered the consumption quota for sugar next year, and that should have the effect of boosting domestic prices. Yet world sugar prices are plummeting. A week ago, the spot (or cash) price in London dipped to \$2.34 per 100 lb.—a new low for the past few months and far below the \$3.15 that the International Sugar Council strives to hold as a minimum.

The decline resulted partly from the tendency of more countries to produce their own sugar, cutting demand on the world market, and partly from the disruption of supplies from Cuba. Castro's sugar went to Communist-bloc countries rather than to the U. S., and those countries dumped on the market a lot of sugar they felt they didn't need. Coffee offers another example. Surpluses have put its spot price under pressure, yet a new proposal to set up an international pact to control price fluctuations—with U. S. participation—is a factor toward speculating on higher prices.

No real drive. The spotty weakness in prices of some industrial raw materials should not be surprising to anyone who has watched the markets since the first of the year. Prices rose then, but it was obvious that they weren't going on a tear. They had turned down long before business went into a slump last year, and there were visible oversupplies of many commodities.

Then came the slowdown in Europe's industrial boom, partly offsetting the recovery in the U. S. So, U. S. industry has not yet reached operating rates anywhere near capacity, rates necessary if the surpluses in materials are to be soaked up.

Even in recovery, there has been no pressure on businessmen to buy on anything but a hand-to-mouth basis, no evidence of the need to guard against future price boosts or interruptions in deliveries.

That's why many commodity men aren't prepared to accept the slackness in demand, and the softness in price, as a sign that business is going downhill again. They point out that not all products are falling in price, that there is selective strength in metals, chemicals, and paperboard products.

On the upswing. A 7¼¢-a-lb. increase in nickel went into effect June 30, and traders feel that the current price of 81¼¢ should hold. Tin has been trading between \$1.17 and \$1.25 a lb., far above the \$1.10 a lb. "ceiling" of the International Tin Agreement. The price has been rising through the year; when it passed \$1.10, the Tin Council's buffer stock was sold completely, without stemming the rise. Tin is still more likely to go up than down.

Metals men say other metals, too, may be marked up if business abroad should get a little better. Copper, for one, seems to be in a stronger position domestically but to be suffering from a slackening of demand abroad.

Shipments of copper to foreign fabricators through the first nine months this year increased only slightly above the Jan. 1 level, in contrast to a 40% rise in 1960. U. S. production has been cut back to balance supply and demand, so any increase in European demand could have a direct effect in lifting prices.

Zinc also seems to be in better shape now. Domestic production was off 3.4% from January through September, while shipments rose 6.5%. At the end of October, producers' stocks stood at 150,083 tons —a high level, to be sure, but the lowest in more than a year.

Zinc's troubles also lie overseas. On the London market, zinc is priced 3½¢ below the U. S. price, compared with a normal spread of about 2¢ a lb. As long as this wide gap exists, domestic U. S. producers can't raise prices. Their hope is that business abroad will regain its impetus and drive the London price up, or that a banner year in U. S. auto sales, benefiting zinc through its use in galvanizing and die-casting, will strengthen the metal's worldwide price structure. **End**

Wall St. talks . . .

about SEC's new flying squad, Ling-Temco-Vought, Bankers Trust losing pension business

The SEC in New York is forming a flying squad to move fast in cases where market manipulation is suspected. According to Llewellyn P. Young, new SEC regional administrator in New York, the average attorney on his staff is already working on 10 cases at once and "we just haven't had the manpower to move fast in hot cases."

Sheraton Corp. of America, which has had qualms about transforming into a real estate investment trust—and paying out most of its earnings to shareholders—is reappraising the possibility, but plans to move slowly.

There's talk that **Ling-Temco-Vought, Inc.,** which lost $13-million in the third quarter, is starting to shake down after the merger with Chance Vought Corp. One of the first divisions that may go is CV's mobile homes business, which accounted for 20% of its sales but is outside the company's general aircraft and electronics operations.

Bankers Trust Co. is gradually losing a part of one of the juiciest plums on Wall Street—management of the $3.5-billion-plus **American Telephone & Telegraph Co. group of pension funds.** Bankers once had over 90% of AT&T's pension business, but this has now been cut to about 75% as various Bell operating subsidiaries have switched to local banks. Ohio Bell's pension fund, for example, is now managed by the Cleveland Trust Co., and "early in 1962" New Jersey Bell will put its $100-million portfolio with a Newark bank.

A Phoenix (Ariz.) real estate promoter has found **a loophole in SEC's Regulation A,** which exempts issues of less than $300,000 from many of the requirements applied to larger sales. The William W. Bones Realty & Investment Co. has filed with the SEC to sell limited partnership interests in nine real estate ventures, each less than $300,000 but all told amounting to more than $2-million. As a result, the SEC may tighten its rule.

In the markets

BW

S&L stocks take off again as investors continue to favor them

Wall Street's hottest growth stock group, the savings and loan holding companies [BW Jul.1'61,p78], went on another rampage this week. San Diego Imperial Corp., most speculative of the four S&Ls listed on the New York Stock Exchange, churned to a new high of 22⅜ on a volume of over 90,000 shares. Its 1961 low was 7⅝. Over-all, the S&L group is up two-and-a-half times since last January, with many individual issues—like San Diego—up much more sharply.

Indeed, **the rise has been so extreme that many skeptics are saying that a correction is long overdue.**

So far this year, savings at the publicly owned S&Ls are up about 25%—exactly their average annual compound growth rate between 1954 and 1960. Earnings are up even more sharply—34% compared to an average of about 23%.

Robert Chaut of Kidder, Peabody & Co., who specializes in analyzing S&Ls, points out several factors that have been helping earnings: (1) increased operating efficiencies and lower costs; (2) increased borrowing from the Federal Home Loan Bank, which brings in lendable funds at 3½%, compared to the 4½% currently being paid to savers; (3) a steady rise in the average rate earned on their mortgage portfolios; (4) rapid development of complementary businesses, such as insurance agencies and land development.

Chicago Board of Trade expels commodities trader Douglas Steen

Douglas Steen, who made some big killings trading in commodities [BW Jun.11'60,p144], has been quietly expelled from the Chicago Board of Trade. The action could put a stop to his career as a commodities speculator. **The expulsion means that Steen loses trading privileges on the Board of Trade—the center of commodities trading.**

Steen, 35, who made his reputation in Seattle by using a computer as part of his calculating method, was expelled Aug. 31, at a special meeting of the Board of Trade's directors on charges that he violated two of the exchange's rulings. One refers to misstatements by members to the board or one of its committees "upon a material point," or on application for membership. The other deals with "inequitable proceedings" in conducting business.

Profitable insider stock deals revealed by two companies

Two more cases of "insider" stock trading broke this week [BW Nov.18'61,p29].

Mead Johnson & Co. announced that a former division head, since retired, made a profit of $28,000 in purchases and sales of Mead Johnson stock between Sept. 28, 1960, and last Mar. 3. **Under the law, profits made by an insider— a company officer, director, or more than 10% stockholder—within a six-month period on security transactions in his company's stock are recoverable by the company or by stockholders.** But a Mead Johnson spokesman said the company will not bring suit because a court action would not be in the best interests of the company; **he added that Mead directors were convinced the violation was inadvertent.**

Kerr-McGee Oil Industries, Inc., said that six of its officers and directors made profits of more than $227,000 in the company's stock. Two directors already have paid back market profits of about $37,000. The company is investigating whether the profits of the others were made within six months.

Bond market is sluggish as dealers keep an eye on economy

Trading in the bond market slowed to a crawl this week. Price changes were minor as dealers adopted a policy of watchful waiting—to see whether the economic recovery gathers steam, and what course the Federal Reserve follows on credit policy.

The dealers' position is complicated. They have a big overhang of unsold issues resulting from the Treasury's $7-billion refunding, and those are moving off the shelf slowly—and then at a loss. The $800-million "strip" of U. S. Treasury bills, auctioned for cash, is moving particularly slowly.

The markets for corporate and tax-exempt municipal obligations were similarly quiet. However, activity may pick up shortly as corporations and municipalities move to take advantage of the lull. For example, last week three $50-million bond offers were slated almost simultaneously—by Borden, Western Union, and the Port of New York Authority.

Most dealers expect bond prices to work lower. However, they are reluctant to take a short position because there's no assurance that the Fed, in an effort to keep long-term rates down, will not come back into the market as a substantial buyer.

NYSE decides it needs a new home

The New York Stock Exchange, which has been operating in the same location for over half a century, **this week set the machinery in motion to accumulate a $29-million fund over the next five years to finance a new home.** This will be the downpayment on the new building, which is expected to cost about $75-million. Most of the money will come from the NYSE's earnings, sale of present properties, and from various rainy day funds that NYSE has accumulated over the years. But there will be a $5.2-million increase in member dues and related charges over the next five years.

All of the above products courtesy of Montgomery Ward and Company

Reuther ready to force showdown with crafts

He insists that this year's AFL-CIO convention must come up with solutions to the jurisdictional disputes dividing the federation's industrial and craft unions

UAW's Reuther: Unity is a prerequisite if the labor movement is to move ahead.

For a good part of the six-year AFL-CIO merger, frustrated industrial union leaders have seen a decline in factory union memberships and an increase in their jurisdictional conflicts with the federation's craft unions. They have watched—and waited—for Walter Reuther to stem the tide.

Reliance on Reuther's leadership as head of the AFL-CIO's big 59-union Industrial Union Dept. has restrained some aggressive voices within the federation who wanted quicker action. But last week, when the United Auto Workers president spoke out, the industrial union leaders heard what they wanted.

No real unity. From the rostrum of a two-day IUD convention in Washington, Reuther laid bare an extraordinary list of troubles facing the industrial unions. He placed much of the blame on the old AFL building trades unions. Labor unity, said Reuther, exists in name only.

With that indictment, Reuther angrily led the 282 delegates through a series of resolutions that the industrial unions will take to the AFL-CIO national convention in Miami two weeks from now. Six of these directly attack the federation's 19 craft unions for such activities as union raiding, collusion with employers, strike-breaking, and discrimination against Negroes. They suggest solutions ranging from compulsory arbitration of jurisdictional conflicts to expulsion of unions that violate IUD-proposed regulations.

Most of these issues have been argued in many rounds of negotiations between craft and industrial union officials since the 1955 merger, but the conflicts have only been intensified. "The Miami convention cannot adjourn until it has found an answer to these problems," Reuther said. "Two more years of this will weaken and dissipate the good will and resources and will put in jeopardy the very existence of the American labor movement," he warned.

The question left hanging this week is whether this new outbreak might mean a breakup of the AFL-CIO and whether Reuther would lead his industrial unions out of the federation. At this point, nobody is willing to predict. The pressure for labor unity is still strong despite the intense internal rivalries.

I. The problem

AFL-CIO Pres. George Meany, addressing the IUD convention, revealed the approach he will take at the Miami meetings. What Meany said wasn't what the Reuther forces wanted to hear. These conflicts, said Meany, are "useless internal bickering" and hardly the most important work of the AFL-CIO.

Whether Meany can take the steam out of the IUD's position, even temporarily, is uncertain. The larger problem still exists—a tide going against the industrial unions. As Reuther noted, the number of factory workers declined by 1.6-million members in the past seven years even as industrial output rose 17%.

Labor Secy. Arthur Goldberg presented an even bleaker picture to the convention. He said his department's latest figures show that since 1958 union membership has increased only 36,000, while the percentage of organized workers in the non-farm work force has declined from 33.7% to 32.1%.

IUD blames crafts. While the IUD leaders were willing to blame automation as a large source of unemployment among their members, they focused on the AFL-CIO craft unions as a significant and growing factor. They directly accused the crafts of "stealing work" from industrial workers by promoting craft maintenance crews "in collusion with employers" to take over plant maintenance work.

Plant maintenance jobs have been at the heart of jurisdictional troubles between the two union groups. The IUD's solution to these job contests is a plan for binding arbitration that would make job awards enforceable in courts. The building trades have resisted such a procedure.

Beyond that, the industrial unions want the AFL-CIO convention to order the building trades unions to stop their promotion of plant maintenance contracts—which they see as an ever-increasing threat to their factory members. Actually, this system in which an industrial employer farms out maintenance contracts to outside contractors and their craft unions has been gaining increasing popularity since 1956.

In an added thrust at the building trades, the IUD proposes an AFL-CIO committee to investigate racial discrimination among its affiliates; the committee would not only supply remedies but also report findings to the government's Fair Employment Practice Committee. Union discrimination, which is said to be prevalent among the craft unions, is one of the most explosive issues facing the federation.

II. The future

Even as Reuther's industrial unions were laying down hard terms for labor unity, Reuther emphasized the only practical way for organized labor to grow was as a single group. "What is involved here," he said, "is

whether or not there will be a force in America that has economic power, economic leverage . . ."

In his 90-minute speech to the IUD delegates, Reuther laid out the future role of the AFL-CIO "once unity is achieved." He cited "organizing the unorganized" as the No. 1 project—and the IUD followed with a call to the Miami convention to set up a $1-per-member organizing fund from AFL-CIO's 12.5-million members.

At this point, Reuther said, "We have to run like hell just to stand still in our fight for jobs." The period ahead will get worse because of the acceleration of technological progress, he said.

Bargaining. On the bargaining front, Reuther said his United Auto Workers had made "the greatest economic progress we have ever made in our 25 years of history . . . a billion dollars of economic aid. We believe we are only an inch away from the guaranteed annual wage and we are going to make the last inch the next time."

Reuther identified labor's two major goals as the shorter work week—combined with a legislative demand that would reduce the federal 40-hour-week during recession periods without a pay loss to workers—and a new plan for federal insurance for pension agreements. The insurance payments would protect employees whose pensions are terminated when an employer goes out of business.

Reuther's talents as a negotiator will be pressed to the fullest at the Miami AFL-CIO convention.

Weaker stance. Actually, though, in Miami he will be bargaining from a weakened position. The building trades unions, while hurt by some unemployment, are not facing the same decline as the industrial unions. Nor are they as concerned with union organizing or Reuther's broad social programs.

But both groups are vitally concerned with their political fortunes in the White House and in Congress. Meany told the convention that the AFL-CIO "had come of age [in politics] in 1960" and had helped the Administration win 12 out of 14 contested states. "We did it simply by getting our members registered to vote," he said.

On top of this, the Kennedy Administration is certain to keep the pressure on for a single labor organization, recognizing its value at the polling booth. Labor Secy. Goldberg, who was deeply involved in the internal AFL-CIO struggles as IUD's general counsel, says the country "needs a united labor movement." **End**

In labor

BW

NLRB counsel charges UAW with unfair act in fining workers who overproduced

Stuart Rothman, general counsel of the National Labor Relations Board, has charged Local 283 of the United Auto Workers with unfair labor practices for fining union members who exceeded production quotas at the Wisconsin Motor Corp., in West Allis, Wis.

Rothman acted on complaints by the penalized unionists who argued that UAW was, in effect, imposing a slowdown at the Wisconsin Motor plant by not allowing them to meet the employer's standards. **The suit is the first of its kind under the Taft-Hartley Act;** it alleges that local officers imposed lower standards without the employer's prior agreement.

The general counsel's complaint will go to the five-man NLRB for a hearing and decision.

Rothman said that UAW fines against the West Allis workers and more recently against five men on similar charges at the Bendix-Westinghouse Automotive Air Brake Co. in Elyria, Ohio, **put "employees who . . . the Taft-Hartley Act is designed to protect into . . . a vulnerable position." The law should be "quite clear" if this is to be allowed, he said, but it "has not yet attained that degree of certainty."** The complaint is to test the question.

Ironworkers get bad weather allowance, as Goldberg helps settle strike

Labor Secy. Arthur J. Goldberg—in Cleveland briefly for a White House Regional Conference—took time out to help settle an ironworkers' strike. Under terms of his formula, **an ironworker will receive an "adverse weather expense allowance" of $5 whenever he turns up for work and is sent home because of inclement weather.**

Originally, Ironworkers' Local 17 had sought a full day's pay for stewards who remain on construction sites during wet weather to protect the union's "continuing interests" [BW Nov.11'61,p63]. It dropped this demand in return for the weather allowance.

Builders' strike may be issue in Jamaica national election

Strikes in the building industry in Jamaica—affecting 2,600 workers at nine major building projects—may force postponement of the Pan American Caribbean Games scheduled for the summer of 1962.

Two of the projects closed down and angrily picketed are government showcase projects—the $3-million Sheraton Kingston Hotel and the $4-million National Sports Stadium, both needed for the summer games. Two office buildings, a luxury resort hotel, and industrial construction also are tied up.

Strikers are demanding a 15% increase in daily wages that now range from 15 shillings (about $2.10 a day) to a maximum 32 shillings ($4.50) for top skilled workers.

Although the strike is basically economic, it has important political implications. The strikers' union has the backing of the Jamaican opposition party. National elections will be held soon, and the building tie-up could become an issue.

Three-week strike at Caterpillar Tractor ends as UAW locals fall in with industry pattern

Production resumed this week at Caterpillar Tractor Co.'s Aurora and Decatur (Ill.) plants after a three-week strike by the United Auto Workers. **Two locals representing more than 4,000 workers accepted "pattern" terms that include wage increases of 2½% or 6¢ an hour, whichever is more, each year of a three-year contract.**

Management and labor agreed to revisions in grievance and arbitration procedures, and seniority clauses were tightened. Otherwise, terms were along the lines of the UAW settlements in the auto industry.

Plasterers and lathers get together after 65 years of Chicago strife

Precisely where on a wall the plasterer takes over from the lather has been settled after 65 years of warfare between two Chicago unions.

The agreement by Local 5 of the Plasterers Union and Local 74 of the Wood, Wire & Metal Lathers Union provides that the cutoff point for installing the metal beading needed to support the plaster on the lower part of a wall be set at different heights, depending on the type of building under construction. **Their previous inability to settle this point cost hundreds of thousands of dollars in both profits and wages.**

Business agents fired by union cannot use T-H to get jobs back, NLRB aide rules

A union business agent cannot use the Taft-Hartley Act to get his job back if he thinks he has been fired unjustly, a National Labor Relations Board regional director has ruled.

Director Roy Hoffman of the NLRB's San Francisco office dismissed a petition by nine business agents who charged they had been fired by the International Assn. of Machinists for backing the wrong candidate for international secretary-treasurer. This constituted an unfair labor practice, they said. Hoffman ruled that they had functioned as supervisors, a category specifically exempted from Taft-Hartley coverage.

The decision will be appealed.

Personal business BW

November 25, 1961

Who gets ulcers in this aspirin age

You may not hear so much talk about ulcers these days. But if you're a middle-aged businessman, you are a likely target for this gnawing, often tormenting ailment.

Some 3-million Americans now suffer from peptic ulcers. Few of the victims are women—and ulcers rarely strike either young or old people. Thus, doctors estimate that if you're a man in the vulnerable middle years, you stand at least a 1-in-10 chance of getting ulcers; and some doctors put the estimate higher.

Beyond this, new evidence suggests that heredity plays a role, and may make the odds tougher for some people.

Peptics are the usual kind

People who tell jokes about ulcers often have never had them. For they can involve prolonged medication; force you to restrict your normal routine for about 20 days each year; and pose a threat of bed confinement and possibly surgery. **Along with this: a bland diet, no liquor, no tobacco.**

But note that ulcers largely are non-malignant. It's true—as a Yale study shows—that 25% of all gastric (stomach) ulcers harbor cancer. But most peptic ulcers—some specialists say 90%—are duodenal. This type hardly ever proves cancerous.

Beware of your blood type

Specifically, an ulcer is a small wound about ¼-to-1 in. across in the inner wall of the stomach or the duodenum. **It's caused by the excessive "eating" action of naturally produced hydrochloric acid,** plus lowered tissue resistance.

Ulcers run heavily in some families. Some leading researchers warn that if you have O-type blood (about 40% of the population), your chances of getting an ulcer are much greater than if you have type A, B, or AB. Also, if your saliva doesn't secrete certain "ABH blood-group substances"—and here your odds are 25%—you are more ulcer-prone than the average person. **A combined type-O and non-ABH puts you in a special risk class.**

Do emotions play a role?

What about the old story of the high-pressured, nervous businessman who becomes ulcer-ridden?

Specialists at Cornell Medical Center draw this portrait: The ulcer-prone man is easily troubled, often irritable, overly sensitive, tense. Along with this, he is hard-working, ambitious, and shoulders heavy responsibilities.

The main trouble is that he can't "blow off steam" when he should. This, Cornell says, may stem from a basic feeling of apartness and inadequacy, with a consequent fear of offending other people.

You can heal an ulcer, of course, without resolving your emotional problems. But the fact that these problems remain is one reason why ulcers usually reappear.

Living the 'good' life

Some checkpoints on ulcers you should know:

- **Symptoms. A gnawing, burning sensation in the upper part of the abdomen, mild or severe, is the classic symptom of an active ulcer.** It is usually most severe in the middle of the night and before meals, with relief brought by food. It can last for weeks or months, then subside for long periods, only to return. Distress lasting a week needs a doctor's attention.

▪ **Treatment. Bland diet—with the food list liberalized by many specialists today, but still dull—comes first.** Stimulants are generally ruled out; so is smoking. Drugs are used concurrently, with some newer types combining antacid nerveblocking, and tranquilizing functions. Diet and drugs usually work—surgery is a lesser possibility, though the odds may be increased by poor cooperation on the patient's part.

Warning: Persistent self-dosing with antacid products can be dangerous because you get only temporary relief that may cloud a serious condition.

▪ **Prevention. If you seem to be a likely prospect for ulcers, your doctor may suggest more leisurely dining,** more thorough mastication, less smoking and drinking, especially before meals (all related to the flow of digestive juices). And he may caution you about not skipping breakfast, and recommend a glass of milk on retiring.

Why collect fine art as an investment

Last week's sale of a Rembrandt masterpiece for a record $2.3-million is another reminder that fine art can be a fine investment—and one that is almost riskless. (Collector Alfred W. Erickson, co-founder of McCann-Erickson, Inc., paid $590,000 for the Rembrandt in 1936.)

The market for good art is riding through a boom. You can expect the price for most paintings by top artists to keep going up over the long pull, according to auction-gallery experts.

Main reason: **More and more buyers, from wealthy businessmen to traditional collectors, are tapping the market, while fewer and fewer private collections are available for breaking up and auction sale.** (For example, the Rembrandt just sold is the last famous masterpiece by the painter known to be in private hands, and available for sale in this country.)

The only real risk in buying art—particularly contemporary paintings—is changing tastes in what's desirable. Your best defense against this is the advice of a professional art buyer or agent. Another practical aid: **International Art Market,** a monthly report on the current world market (Interart Publishers, 133 E. 95th St., New York 28, $12 yearly).

What to buy

Modern paintings, from the Impressionists through the Cubists, continue to be in greatest demand. **The 18th Century also is a magic period in the art market**—for French furniture, silver, and artifacts, and for German, English, and French porcelains. And 18th Century Americana—furniture, pewter, silver, miniatures—bring high prices, too.

Early 20th Century expressionists such as Nolde and Munch are gaining favor, and they aren't priced so steeply.

The tax angle

The smart—and prestigious—approach to investing in art is to buy paintings, then give them to a museum or university.

If you're in the top tax brackets, **charitable deductions (limited to 20% of adjusted gross income) can cut your tax bill as much as one-third.** And deductions are based not on original cost, but appreciated value. One method allows you to enjoy your art works while still enjoying a charitable deduction: **You give the museum future ownership,** take a tax deduction covering this partial value, but keep possession for your lifetime.

Two helpful guides: **Art and Taxes** (French & Co., 978 Madison Ave., New York 28, free), and **Art As An Investment,** by Richard H. Rush (Prentice-Hall, $10).

Elgin gets a new mainspring

Watchmaker's management moves company from slow to fast in competition

"American industry is the most overmanaged in the world."

So says Henry M. Margolis, who, as board chairman of Elgin National Watch Co., has been wrestling with the problem of a top-heavy company. This 97-year-old Elgin (Ill.) watchmaker had been running slow when Margolis became chairman in September, 1960. Now, under his new management team (picture, right), it's showing signs of perking up.

Old ailments. The ills of Elgin have been complex and long-standing. First, it lost some of its military business after the Korean War. Along with this, the jeweled watch market was hurting from foreign competition and from the inroads of low-priced American-made pinlever watches.

While the watch market was getting hotly competitive, Elgin was moving toward a rather cumbersome decentralization of management. This, says Margolis, led to slow decision-making and a diffusion of responsibilities. In turn, these factors compounded problems of inventory control, delivery schedules, and relations with dealers.

Sales skidded from a peak of $60-million in the year ending Feb. 28, 1955, to a low of $26.9-million in fiscal 1959. Net income, which peaked at $2-million in fiscal 1954 ($2.24 a share), plunged steadily to a net loss of $6.9-million in 1958, and continued losing in fiscal 1959. Since then, the picture has brightened somewhat. Operations moved falteringly into the black in fiscal 1960, then dipped again to $114,000, or 12¢ a share on sales of $33-million in fiscal 1961. For the current fiscal year ending Feb. 28, 1962, Margolis predicts sales of $40-million, partly from new acquisitions, and a net

Pres. Robert O. Fickes (right) and Exec. Vice-Pres. Thomas P. Leddy head up strong team that is streamlining management of Elgin National Watch Co.

Henry M. Margolis, board chairman of Elgin, bought an undervalued stock.

income of $1.4-million, or $1.50 a share.

Mainspring. Margolis is quick to credit the efforts of former management, headed by then-president James G. Shennan. But he feels that the Shennan management was "too conservative" to grapple with a "brutal" consumer market. Margolis, a 52-year-old New York lawyer, has financial interests in several smaller manufacturing companies, New York hotels, legitimate theater productions, and is co-owner of Manhattan's swank Chambord restaurant. He is board chairman of Aero-Flow Dynamics, Inc., and of Schmieg Industries, Inc.

Despite his holdings of several million dollars—nearly $4-million in Elgin stock alone—he operates from a small, rather dowdy office on Madison Avenue. With a quick gaze around his office, he says unapologetically, "In England, this is a sign you are above the struggle."

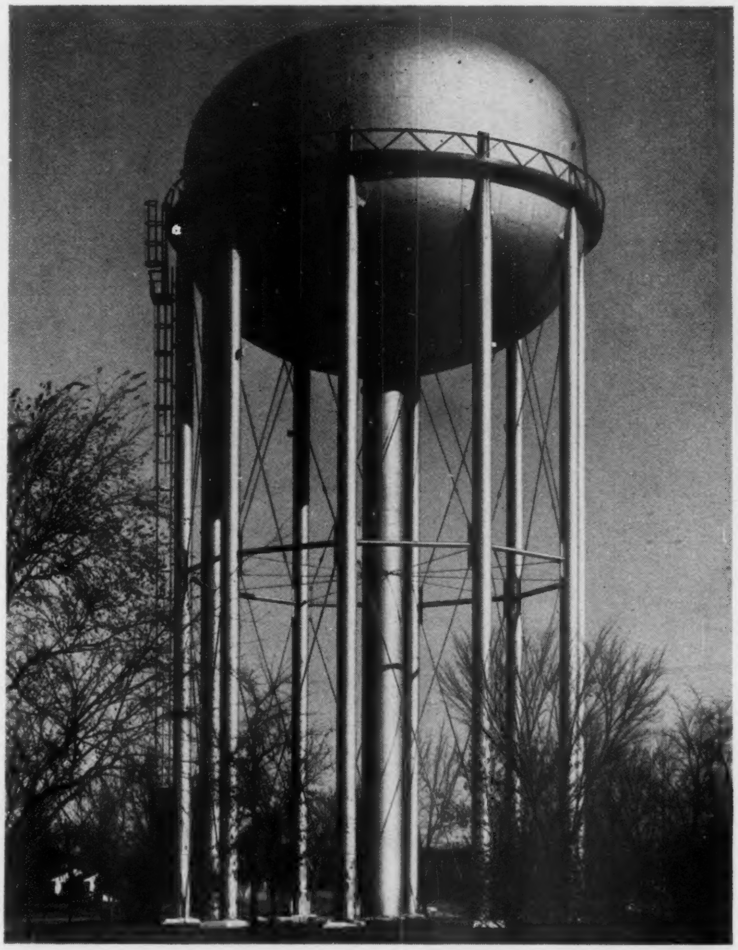
Margolis began buying into Elgin in 1956, when he saw it on a brokerage house list of undervalued stocks. He went on the board of directors in 1958, and, after pushing through some changes on the board, became chairman last year. Shennan resigned shortly after over "policy differences," and was followed by three other key executives.

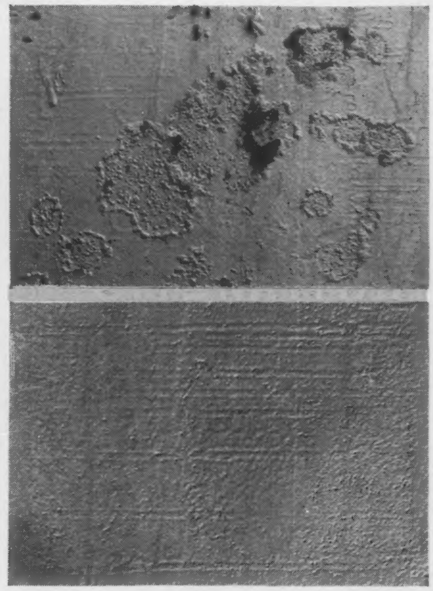
Margolis acted as president, financial vice-president, and manager of the Watch Div., while he scouted the country for a strong management team. Meanwhile, he negotiated two acquisitions that put Elgin into the clock business.

Team line-up. The new management team is headed by Robert O. Fickes, who became president in

SILICONE NEWS from Dow Corning

Cut repainting costs





Silicone-based paints wear longer ... resist weathering, corrosion

Painting for protection against weathering costs money. But it costs more if you don't. Sun, sleet, smoke, rain — all cause deterioration that grows from tiny rust spots to pitting to holes . . . and to snowballing repair or replacement expenses. But much of this high cost can be offset with a silicone-based paint.

A case in point is this water tower located in a northern industrial city. Here, it gets the full treatment from nature's toughest paint killers, *plus* a corrosive chemical laden atmosphere. Conventional organic coatings withstood the attacks for only two years before repainting was necessary . . . a costly proposition at that rate!

How silicones cut costs. Three years ago, an aluminum pigmented silicone-alkyd paint was applied. Today, the tower is still gleaming bright, fully protected. Equally important, it appears the silicone paint will continue full-time protection for several years to come.

At the top right, you see the previously used organic coating after only two years exposure; below, the silicone-alkyd *after three years!* You can see the protective film is still intact, still on the job.

In this typical example, the time between paintings has already been lengthened by 50%; will stretch still more before further care is required. And remember: the longer a paint lasts — the less it costs to use.

Beat the heat! Silicone-based coatings are also available for hot surfaces such as industrial stacks, mufflers, furnaces. Here the silicone paint doesn't blister or peel, thus preventing rust and corrosion, and greatly reducing the need for costly repainting.

When coatings like this are available — coatings that last years longer; that feature colors that won't fade; that keep plants looking better longer; that save you money — don't you think you should find out more about them? Do it soon.

Get your copy of "Why Silicone-Based Paints Mean Less Maintenance". Write Department 2023, Dow Corning Corporation, Midland, Mich.

first in silicones

Dow Corning

April, after 30 years with General Electric Co. From Kellogg Div. of International Telephone & Telegraph Corp. came Thomas P. Leddy as Elgin's executive vice-president and head of the industrial divisions. Melvin Skinner, also of ITT is new marketing manager of Elgin's industrial group. And Harold F. Diegel, former controller of Chrysler Corp. is new financial vice-president.

Streamlining. While Elgin's management was being strengthened, it also was being trimmed. Margolis estimates that since he became chairman, the company has cut $500,000 from the annual administrative payroll and from outside fees for such services as industrial psychologists. At all administrative levels, including secretaries, over 30 people have been dropped. Says Margolis: "There were just too many assistants."

Since April, a broad streamlining of management has put an end to the widespread decentralization, and brought a realignment of responsibilities. The best example of this is in the industrial group, whose four divisions—Electronics, West Coast Micronics, Midwest Micronics, and Abrasives—were completely autonomous.

Each division had its own accounting, marketing, advertising, sales personnel, and manufacturing departments. In some cases, salesmen for one division were turning down orders for equipment from other divisions. Each group had its own little advertising agency.

Worse still, the management of each division reported to an amorphous executive whose function was so vague that he was called simply the group's "supermanager."

Chain of command. The new lineup is clear-cut. Leddy, who reports to Fickes, has final responsibility for all four industrial divisions. Each division manager retains responsibility for manufacturing, but all financial matters are centralized under Diegel, and all marketing functions are grouped under Skinner, who reports to Leddy.

Fickes, who had ample experience with decentralization at GE, says: "Elgin was too decentralized for the size of the company. It's one thing to have it at GE where you have $30-million divisions, but you can't afford a complete corporate setup in a $2-million division."

In the consumer group—which includes the Watch, Welby Clock, and Bradley Time Divisions—the shift has been a redefinition of authorities rather than a recentralization. That's because the Watch Div. was the sum of the consumer "group"

before last March. But there was a lack of coordination, which created serious problems.

An example is purchasing. The man responsible for buying cases was the marketing manager. The purchasing department itself usually was responsible for buying such attachments as bands. When someone fell down, says an Elgin official, "It was hard, virtually impossible to pin down the department at fault."

Now the Watch Div.'s purchasing department is responsible for buying all components, and its head reports to the manager of manufacturing—who gets the blame if components don't mesh. The function of general manager of the Watch Div. is now held by Fickes.

At the corporate level, there was further diffusion of responsibility through the committee system. When it took over, the new management found 10 committees, some performing such specific managerial functions as salary adjustment. Fickes wiped out all but one.

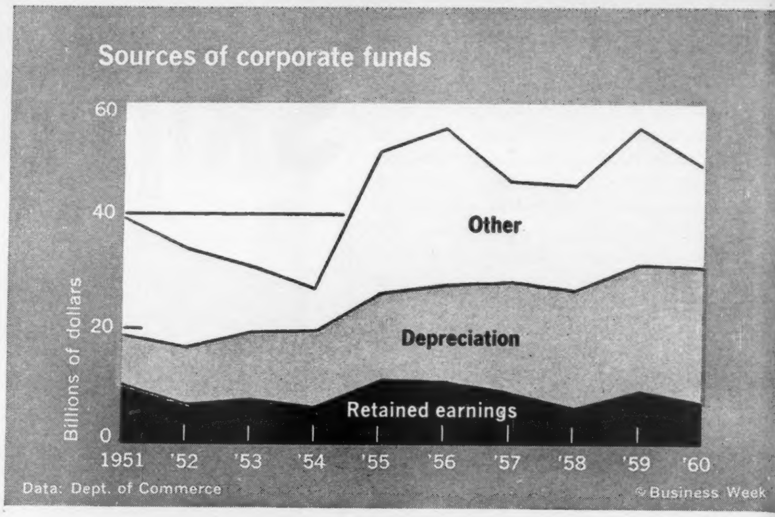
New timetable. Faster decision-making and clear-cut responsibilities are having a direct effect on sales. The big problem in this area has been meeting delivery schedules because some 60% of watch sales come from fall through Christmas. "If the watches aren't at the dealers then, you don't sell them," says one Elgin man.

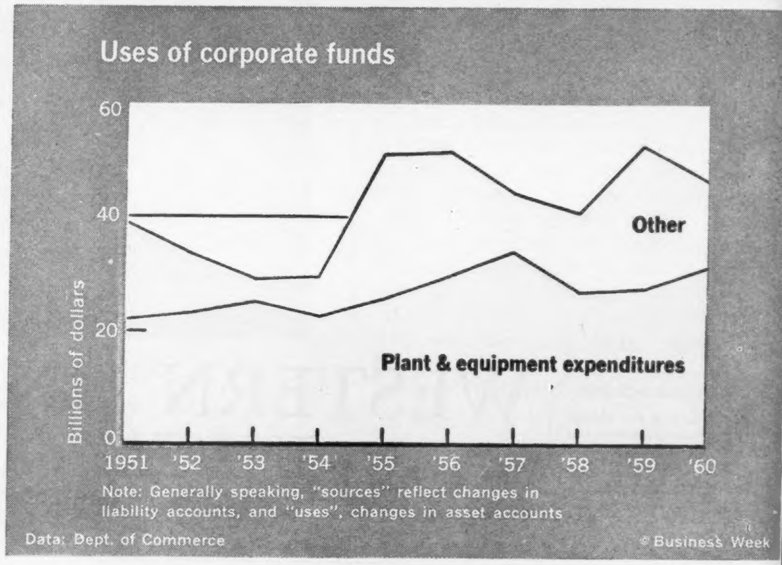
The shift in purchasing has helped out some, and other steps are being taken. For example, instead of waiting until the last minute to order cases—and finding the case-making plants jammed—Elgin now reserves machine time throughout its peak production season. Such moves have cut its back orders by 50% over this time last year. Also, the company has set up a process-engineering group to find ways to cut lead times wherever possible. Over-all, it takes six months to produce a watch from start to finish, and Elgin now hopes to reduce this to 3½ months.

New lines. Elgin also is looking for other consumer product lines to sell through Elgin dealerships, under the Elgin name. Being considered are transistor radios, stainless steel dinnerware, and jewelry. Margolis is now negotiating a new acquisition.

Elgin is pushing its industrial group, also. It now accounts for a third of total volume, and Fickes hopes to bring it up to one-half—with half of industrial sales in turn coming from military.

Margolis and Fickes also plan to take Elgin watches and clocks into international distribution in another move away from dependence on the "brutal" U. S. watch market. **End**





CHARTS OF THE WEEK

Depreciation spurs spending

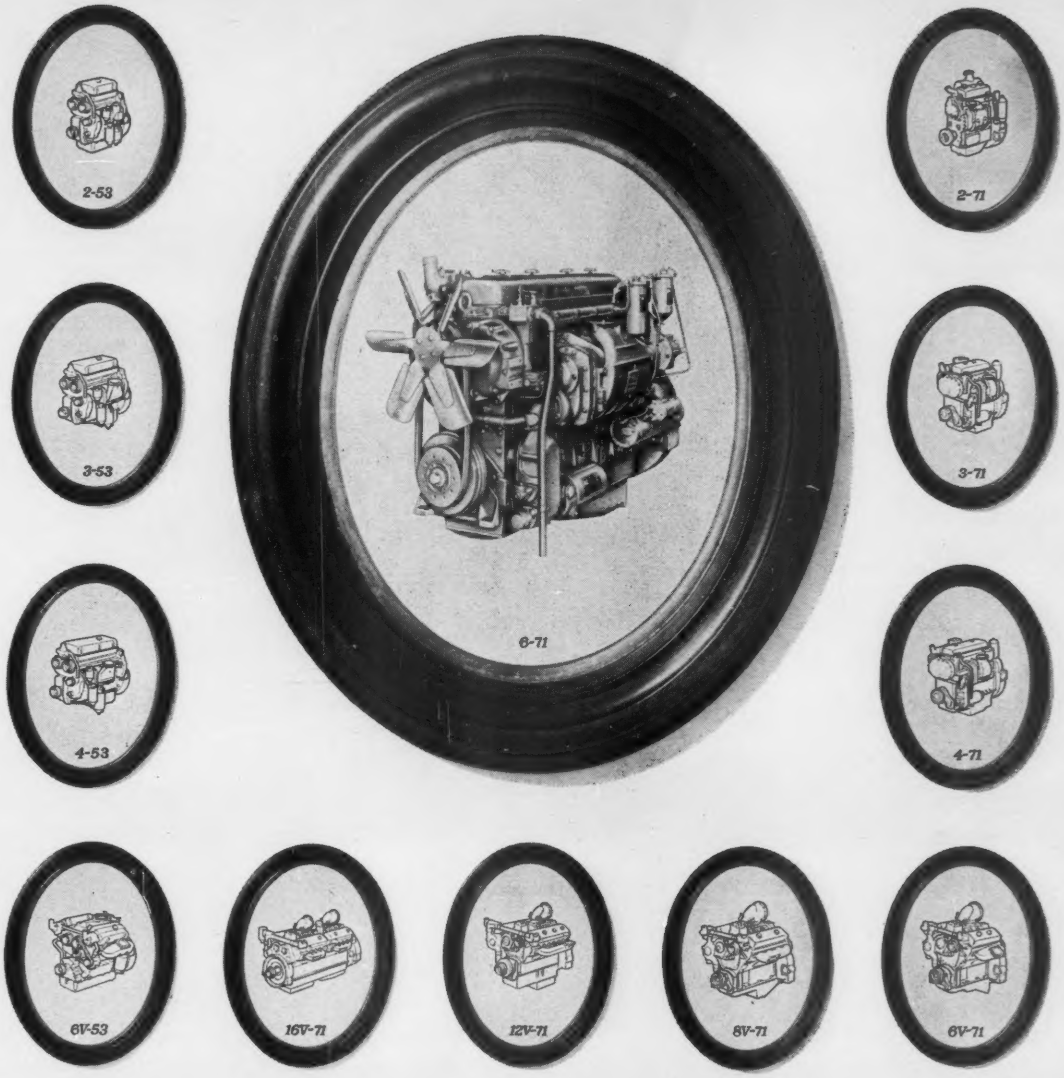
One sure stimulant to business spending for new plant and equipment in the years ahead will be the speedup in depreciation rates promised recently by the Administration [BW Oct.21'61,p28].

During the past decade, nonfinancial corporations have become increasingly dependent upon credits to depreciation reserves as a "source of funds" for capital expenditures and other additions to assets.

Last year, half of the $46-billion expended by U. S. corporations for all purposes including capital outlays originated from this source, according to estimates made by the Commerce Dept. Ten years ago less than 25% came from depreciation.

The profit squeeze, meanwhile, has decreased the relative importance of retained earnings as a source of funds for expansion. In 1960, retained profits provided only $7.4-billion or 16% of corporate funds, compared to $10-billion, or 25%, in 1951.

Lately, net new issues of stocks and bonds have eclipsed retained profits as a source of funds. During 1960, for example, new securities provided $8-billion in capital funds versus $7.4-billion from earned surplus. In fact, capital from securities exceeded retained profits in three of the past five years.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More than 9-million U. S. and foreign patents, plus technical journals, strain human resources of Patent Office

GOVERNMENT

Facing up to a crisis in patents

Patent Office counts on electronic brains to cut data research time

Like patent lawyers in public search room (above), Patent Office engineers would like to see computers (below) replace tedious individual searching.

U. S. Patent Commissioner David L. Ladd, a 35-year-old former Chicago patent attorney who has been in office since April, is moving fast to avert a crisis in the U. S. patent system.

The crisis lies in the rising flood of technological data that Patent Office examiners must wade through before they can issue a patent. It includes all American and foreign patents and the proliferation of technical and scientific literature. In his Washington office, Ladd waves a hand at a battery of graphs that charts the course of the tidal wave. Says he: "We are going to be clobbered by it some day."

Already, the bog-down in the Patent Office is a matter of great concern to industry. It takes an average of 3½ years from the date of filing a patent application to the date a patent is issued. Yet until it's issued, a company operates to a great extent in the dark. It may invest millions in production after filing, but later find it's impossible to obtain the 17-year monopoly that goes into effect when a patent is issued. Some firms do not mind this delay, since the waiting period actually prolongs the monopoly. But industries in fields of fast-moving technology, like chemicals, are so concerned that many executives talk of relying on secrecy rather than patents. This, of course, would defeat a key aim of the patent system, which is to get knowledge published in exchange for a limited monopoly on its use.

Validity at stake. Far more than speed is at stake, because a company may find its patent will not stand up in court. The validity of U. S. patents is based on thorough examination of "prior art"—all related patents and literature—to provide a basis for determining whether an invention is "new." A few countries provide simply for registration of an invention, and leave validity up to the courts.

The final test of validity for U. S. patents is, in effect, the courts, too. But a "strong" patent is not likely to be attacked in court; therefore, the majority of U. S. patents never come to litigation. Yet, of those that are attacked, more than half are de-

clared invalid. Often, this is on the basis of prior art that had not been found by the examiner. Equally often, it's because the examiner's interpretation of what's "new," in light of prior art, differs from the courts. The massive accumulation of data affects the first case directly; indirectly, it figures in the second case because the dependability of the examiner's judgment is influenced by the search and the time he has to form an opinion.

Overflow. Thus, the chance for error in assaying a patent's validity multiplies as the technological data increase. And the "search load" of the 125-year-old U.S. Patent Office is climbing in geometric ratios. The number of U.S. patents rose to 3-million this year, up from 2-million in 1930. Foreign patents have risen faster, now totaling over 6-million.

Along with published literature, this mountain of prior art now covers acres of floor space in a crowded wing of the Dept. of Commerce building. Fortunately, projects are under way to get the Patent Office moved before it overflows the entire building.

Flood of applications. The number of patent applications to be processed by the Patent Office also is rising. This year, it's expected to reach 86,000, up from 84,000 last year—and from a postwar low of 65,000 in 1951. Today it's still below the peak of 89,000 in 1930.

But not only has the prior art grown since then; patents in the age of electronics and high polymers have become infinitely more complex than in the more mechanical age of 30 years ago. One patent issued recently to Bell Telephone Laboratories, Inc., on an electronic accounting system ran to 531 pages and weighed 4½ lb.

Not enough manpower. The trouble so far is that this material must be searched by individual human beings. Most of the 1,000 examiners, all graduate engineers, work in crowded, un-air-conditioned rooms filled with thousands of file drawers, many of an ancient wooden design. The corps of examiners has grown from fewer than 700 in 1955, as the Patent Office has tried to catch up with the backlog of applications. Today, this amounts to just under 200,000 applications, down only slightly from 221,000 in 1955.

Because of the growing search load, productivity of the examiners has fallen drastically since the 1930s. Today, each examiner disposes of an average of 80 applications a year, against 160 a year in 1930.

Scientific weapon. The weapon that Ladd hopes to use against what

Patent Commissioner David L. Ladd holds 4½-lb. Bell Telephone patent.

he calls the "information explosion" is the budding science of informational retrieval [BW Jul.8'61,p46]. Since 1955, government experts have been studying ways of mechanizing the search system, and already are experimenting with electronic storage of data in the new, still small field of steroid chemicals. Now, Ladd says: "The Patent Office must accept the challenge, for the very survival of the examining system as we have it is at stake."

He just filled a newly created post, an assistant commissioner for research, who will head up the Office of Research & Development. This expanding office already has 25 scientists at work on information retrieval. As the next step, the work on steroids will be expanded into pesticides and transistors.

$3-million budget? But a vast amount of technical data does not lend itself to present methods of electronic retrieval. To push for scientific breakthroughs, Ladd will be dickering for more money from Congress. In fiscal 1962, the Patent Office has budgeted $580,000 for R&D, up from some $400,000 spent last year. Recent study of the Patent Office's R&D needs suggests a yearly budget of $3-million.

Obviously, whatever breakthroughs the office achieves will benefit industry in its own attack on the information retrieval problem. And, because industry already is at work on it, Ladd is negotiating to get some companies into contract research on retrieval.

International plan. Ladd also is drawing on international cooperation to study information retrieval. Last

month, his office and the patent bar sponsored a three-day international patent office workshop on information retrieval in Washington. Delegates from nearly a dozen countries studied weighty papers on methods of automatic indexing and coding, international classification systems, and the semantic problems of matching stored information with the data on applications.

Last week, Ladd was in Europe for discussions that may lead to a flank attack on the information burden. A move is on to set up a common search system among the leading industrial countries. Many patent applications filed in one country are filed almost simultaneously in other countries; thus, examiners are duplicating each others' efforts.

The idea is that any application that is to be filed in several nations could be flagged as such, and the search could be carried out in one country only. Theoretically, on an application filed in five countries, this would eliminate four-fifths of the work. This plan, Ladd declares, is under "active" consideration.

Common Market bid. An even grander design is under way in Europe, and this is the real reason for Ladd's mission. As an observer, he attended meetings of patent experts of the six Common Market countries, who are moving rapidly toward establishing a common patent system. They plan to leave the system open to more than Common Market countries, and would welcome the U.S. as a party.

Ladd makes it clear the U.S. will not consider joining up so long as he is commissioner. But, says he, unless information retrieval makes some major breakthroughs in a few years, a common international patent system may perforce be one of the alternatives. He says that it will be watched with great interest.

Less duplication. While such a move would entail vast statutory changes that may never pass Congress, the idea has some merit. Since patent offices around the world must search the same jungle of prior art—whether it's a multinational application or not—a single examination would eliminate costly duplication and perhaps provide more thorough examination.

Already the search in some European countries, which have fewer applications to deal with, apparently is more thorough than in the U.S. At least one American company illustrates this rather dramatically. On any patent it considers important, American Cyanamid Co. files an application in Austria as soon as permitted after filing in the U.S. The company says it gets a more thorough list of prior art, which it then files with the U.S. Patent Office to help strengthen its patent.

Training academy. Apart from the strategic assault on information retrieval, Ladd is stepping up other efforts to shorten the examination time and strengthen the validity of patents. Recently, he appointed a new special assistant charged with long-range planning for statutory and procedural changes, and for international patent matters. For several weeks, too, he has had a management survey at work to study organization and personnel policies.

One idea being explored is the establishment of a training academy for examiners. Now the examiners, though experts in their fields, learn Patent Office procedures through on-the-job training. This puts a heavy burden on the senior examiners, cutting into the time they could be spending on applications. Moreover, turnover among examiners is high; about 20% of the force leaves the Patent Office each year, mainly lured away by patent law offices and the legal departments of companies.

To stem this flow, Ladd would like to operate the academy in conjunction with industry, so that enough men are trained each year to meet everybody's needs.

Priority system. A statutory change under consideration is the creation of "publication patents." In many cases a company will take out a patent as a defensive measure, in order to establish priority, rather than to obtain the 17-year monopoly. It may, for instance, develop a process vital to its own production with no idea of marketing it. But if a second company stepped in and patented this process, the first company could be prevented from using it.

The "publications patent" would simply register the priority of the invention without entailing the usual search. The invention would not be removed from the search load for related applications, but the Patent Office would be relieved of the burden of examining such applications. This idea is being actively considered by the patent bar and the Patent Office, Ladd says.

Maintenance fees. Right now, the Patent Office is sponsoring a bill before Congress that would provide for "maintenance fees." If a fee is not paid at certain intervals, the patent lapses, thus eliminating unused patents from the books. This bill would also increase basic fees, to help the Patent Office cover more of its needs. Presently, its revenues cover only 31% of its $25-million expenditures. **End**

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Setting a growth goal for the free world

As a result of a U.S. initiative, the 20 members of the Organization for Economic Cooperation & Development marked their first ministerial meeting in Paris with a dramatic gesture. They agreed to seek to achieve a 50% increase in their combined gross national product during the 1960s [BW Nov.18'61,p34].

There can be no doubt that it would be highly desirable for the Atlantic Community to achieve such a growth record. It would facilitate liberal trade among the Western nations, strengthen their political as well as their economic unity, and provide the free world with additional resources with which to confront the Communist powers. These are objectives that we must pursue vigorously.

Nevertheless, the OECD growth agreement raises problems. It will be important for all parties to the agreement to keep these difficulties in mind as they go forward from here. It will be particularly important to remember that this declaration is no solution to the growth problem. Lofty goals are one thing; action to achieve them another.

Each in his own way

For some of the European nations with parliamentary systems that have gone a considerable distance toward national economic planning, a specific growth target may readily be translated into specific policy actions.

But in the case of other nations—including our own—this is a much trickier problem. The U.S. Administration may propose measures to step up the growth rate, but it is Congress that disposes—and the Congress was not even represented in Paris. Our representatives interpreted the U.S. commitment as a pledge that the Administration would support policies that, if adopted by Congress, would serve to achieve the growth objective.

The problem of achieving some specified growth rate is further complicated for us, since it is not just government actions but also private decisions by business, labor, and other groups and individuals that affect national economic growth.

Indeed, some critics would argue that, if the 50% pledge is not meaningless, it may well be dangerous—that is, it may imply either an undue degree of central government control over the economy or lead the government to press for monetary and fiscal policies that might be inflationary and aggravate balance-of-payments deficits.

Prompted by worries of this sort in its own case, the British delegation in Paris bargained down the original U.S. proposal. By changing the period over which to achieve a 50% increase from nine to 10 years, the OECD reduced the U.S. proposal for an average annual increase of 4.6% to 4.2%. Since both Britain and the U.S. have been growing less than 2.5% per year since the mid-1950s, this is still no easy task. Our problem is, however, easier than Britain's, because we have sizable unemployed resources of both manpower and plant capacity, where the British are straining against their limits.

The OECD agreement does not require each nation to hit the collective target by 1970; and no nation is expected to achieve the indicated average growth rate every year. Indeed, the agreement is perfectly explicit in emphasizing that growth is only one of the important objectives that governments must pursue. "Price stability," the OECD declared, "is of the highest importance in order to assure to the population the full benefit of economic growth and to maintain equilibrium in international payments." It warned all governments to prevent excess demand and to improve productivity and labor mobility. And it particularly urged countries with payments deficits—such as the U.S.—to keep increases in money incomes in line with productivity gains lest their competitive position be undermined.

All of these injunctions—which the U.S. once delighted in handing out to others—should be taken by the Administration in good part. Indeed, if the OECD growth exercise is to be meaningful and constructive for this country, it should be followed up by intensive annual checkups to determine how well—or badly—member governments acted to achieve the joint goals of economic growth, price stability, and balance-of-payments equilibrium. These annual reviews will be one truly constructive way of assuring that the declaration of ends be pursued by the appropriate means in every country.

Our delegation did well to bargain its growth proposal through the OECD. It kicks the new organization off in a positive way; it gives it a long-time perspective; it stresses that there is a common goal for the free world—and that the goal is expanded welfare and strength for all, not exclusiveness or beggar-thy-neighbor policies.

The Administration is trying to drive home a lesson for domestic as well as European attention: that its efforts to achieve a more liberal trade policy can succeed only within a framework of over-all economic growth. The forces of protectionism in this country, which have been rising, would become irresistible if our economy were to stagnate—or if export markets for our products do not grow.

Dedication to the growth objective—if wise policies are adopted for achieving it—can be a highly important commitment, as was the one this nation undertook with the Employment Act of 1946.

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